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By

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Correspondence Director, Bank of America
San Francisco, California

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NATIONAL RETAIL CREDIT ASSOCIATION

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MORE *about the* MORATORIUM

By **R. PRESTON SHEALEY**

Washington Representative, National Retail Credit Association

THE San Antonio Convention was advised that in the event of large scale mobilization the Act of March 8, 1918 (moratorium), would be reenacted in revised form and made applicable to the present emergency. A pledge was made to the Convention that we would keep closely in touch with the situation, advising members as to developments. Our first step was to inaugurate a joint movement to study the former World War Act and recommend necessary changes when, and if, it became evident that a measure of that kind should be considered necessary. We will not mention in detail our work except to say that from the repossession by mutual consent provision other changes suggested themselves and are now in the law. The conscription bill, Public No. 783, contained the repossession amendment but that was only a temporary measure, insofar as it related to relief provisions for soldiers and sailors, and, as we anticipated, has been superseded by the present Act of October 17, 1940,* repealing those provisions.

Art. I of the Act is devoted to a definition of terms and states among other definitions, that as to persons in military service, members of the United States Army and Navy, Marine Corps, Coast Guard, and Public Health Service Officers detailed for military duty are to be included, and no others. The "period of military service," begins with the date of approval of the Act as to those already in active service and for those thereafter entering active service at the time of entering such service. The Act itself (Section 604) terminates May 15, 1945, or should the United States then be engaged in war, until the termination of the war by a peace treaty and for six months thereafter. Art. II of the Act deals with general relief and applies to any action or proceeding commenced in any court; in other words, to open account as well as installment indebtedness. It is applicable, however, to the latter, only in event that installment contracts become the subject of court action. Art. III relates to rent, installment contracts, mortgages; Art. IV to insurance; Art. V to taxes and public lands; and Art. VI, administrative remedies. Since our members are principally concerned with Arts. II and III, this is intended primarily to afford information on specific questions suggested by provisions of these two articles.

QUESTION 1. *Does the law apply to all obligations of men who enter the military service or does it apply only to the items listed in Art. III?*

The law applies to all obligations (Art. II), but as to installment obligations incurred prior to October 17, 1940, permits repossession by mutual agreement or through court action, but not by peaceable retaking. If the re-

possession is by legal process then the provisions of Art. II dealing with court action apply not only to open account indebtedness, but also to installment indebtedness.

QUESTION 2. *Does the Act apply to installment obligations incurred subsequent to October 17, 1940?*

No, except in those instances where they may become the subject of court action (Art. II). Peaceful repossession is permitted as to installment contracts executed subsequent to October 17, 1940.

QUESTION 3. *Does the Act apply to obligations secured by mortgages, trust deeds, or the like, upon real or personal property after October 17, 1940, but before military service?*

No. Section 302 expressly so provides.

QUESTION 4. *Are there any special provisions as to repossessions of motor vehicles?*

Section 303 provides that the court shall not stay a proceeding to resume possession of a motor vehicle, tractor, or the accessories of either, unless it shall find that 50 per cent or more of the purchase price has been paid.

QUESTION 5. *Does the Act require an affidavit before obtaining judgment that the defendant is not in military service?*

Section 200 of Art. II requires such an affidavit but provides that if the plaintiff is unable to file the affidavit he shall file in lieu thereof an affidavit stating he is not able to determine whether or not the defendant is in the service. If the affidavit is not filed showing the defendant is not in the military service, judgments cannot be entered without an order of court directing their entry. As a matter of practical application, it will be found that almost uniformly courts will not enter an order directing a judgment against a defendant in any action without an affidavit that the defendant is not in military service or that the plaintiff is unable to ascertain that the defendant is not in such service. If it appears that a defendant is in service but his appearance is not entered in the proceeding the court must appoint an attorney to represent him. Furthermore, judgments may be reopened not later than ninety days after the termination of military service if a judgment was rendered against a person at the time in military service and such service has prejudiced him in his defense thereto, provided it appears that the defendant has a meritorious or legal defense to the action.

QUESTION 6. *If a husband and wife jointly sign a contract for the purchase of merchandise on deferred payments, and the wife is employed,*

(Turn to "Moratorium," page 31.)

*Public No. 861, 76th Cong., approved October 17, 1940.

This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association. Authors have been invited to express their personal opinions which may not be those of this Association and we assume no responsibility for them.

EXTENDING CREDIT TO MEN OF DRAFT AGE

By **A. J. WORSDELL**

Secretary, Forum Committee

Associated Retail Credit Men of New York City

WHILE DIFFERENT forms of consumer credit will feel the draft legislation in varying degrees, unquestionably open account credit will feel it even less than instalment business. Credit today is on an entirely different basis than it was during the last war. Mr. B. A. Farrell, Credit Manager, Frederick Loeser & Co., Brooklyn, has a popular way of expressing the situation as it relates to open credit, by saying that in the old days you had to be in the blue book to get a charge account, and that nowadays you only need to be in the telephone book. For practical purposes this can be accepted as entirely true. Only those in the higher income brackets had open charge accounts then, and there were comparatively few stores doing an instalment business. Those that did were almost exclusively in the furniture business.

In a general sense, credit today is extended to anyone who has a steady job with only secondary regard to the amount of his income. On a strictly volume basis the instalment problem is considerably greater than at that time, for instalment sales in 1917 were somewhere between three and five hundred million dollars. The last Bureau of Foreign and Domestic Commerce figures on 1939 instalment sales showed a total of \$4,160,000,000 which, incidentally, represents approximately 10 per cent of the total retail sales in the United States.

Group Affected by Draft Not Heavy Instalment Purchasers

However, a careful analysis shows that only a small percentage of outstanding instalment accounts will be affected by the draft. Primarily and of utmost importance, unmarried men between the ages of 21 and 31 (this is the group most likely to be called according to army officials, even though the law reads from 21-35), are not heavy instalment purchasers. Their chief indebtedness is found to be for automobiles and for clothing on short term basis. For example, in the furniture trade we understand from substantial and reliable sources that less than 1 per cent of the accounts are likely to be affected by the first draft. And you must remember that this trade—the furniture trade—does a larger percentage of its business on instalments than any other.

Let us consider the actual magnitude of this problem a little more specifically. From the mass of conjecture and opinion that has been gratuitously dispensed so far,

we are able to arrive now at some fairly dependable average figures. While the total number to be called remains at the discretion of the President, there is an agreement which will limit the total actively engaged in service during any peacetime year to 900,000. This includes the National Guard, the Reserves, the Draft contingent and all other so-called defense forces.

The total drawn from New York State will probably be in the neighborhood of 60,000 for the first year. Of these, some 30,000 will be scattered throughout the state and New York City proper will furnish about 30,000. Frankly, it is pretty hard for a group of 30,000 to make themselves too seriously felt in New York City. When you scatter the other 30,000 throughout the State and pro-rate them among other large cities, certainly the numerical problem at least does not immediately loom large.

Analyzed—The Situation Is Not Serious

A perfectly logical question, then, is "Does this group of 30,000 carry a high percentage of credit consumers?" Just to give weight to our own views on the subject we have analyzed two separate groups of 1,000 reports, each 1,000 picked from one day's work. They were segregated into three groups: single men of draft age; men of draft age with dependents and married; and in the last group we threw all who were not eligible either by virtue of the fact that they were outside the age limits or were unattached women. We found that in the first group—single men of draft age—there were less than 4 per cent of all inquiries. If that's a true percentage and you break that down to the number actually being called out of those eligible, you arrive at a fractional percentage which certainly does not present a problem big enough to inspire terrifying headlines.

Just what is this legislation and why is everyone talking about it? The law itself has now assumed tangible form. The provisions which affect our retail credit structure are part and parcel of the act which has now been approved by both houses and has been signed by the President. In considering the effect of the various provisions upon you and your business, it may be comforting for you to keep in mind that the conscription law in effect in Canada contains similar but far more drastic provisions. For example, in the loan field it exempts all borrowers from paying any instalments for two years after the time of their discharge.



Provisions of Selective Training Act

The act is known officially as the "Selective Training and Service Act of 1940." The act terminates, providing that there is no further legislation, on May 15, 1945. The particular section that we are concerned with is a duplicate of the "Soldiers and Sailors Civil Relief Act" which was approved March 8, 1918. All the provisions of this Civil Relief Act have been included in the present Selective Training Act with one or two notable alterations. First of all the act states that you can't take a judgment by default against a man who is in military service. It puts entirely at the discretion of the court the question of whether or not the man is adequately represented at the time of the action. If the judge feels that he isn't represented and he cannot be, a stay is automatically issued.

As a further safeguard, it becomes necessary for you as plaintiff in any judgment that you attempt to get by default, to accompany your petition for judgment with an affidavit saying that the debtor is not in active military service. If you make a false affidavit you are guilty of a misdemeanor and you can be punished by a year in prison, a fine of \$1,000, or both. Naturally, this portion of the law makes necessary provisions for the reopening of judgments which have been improperly secured under the circumstances as stated.

If you are a landlord you cannot evict a man or his family or his dependents from an apartment or from a home which he rents during the period of military service for non-payment of rent providing his rent is \$80 a month or less. The last bill provided a maximum rent of \$50. However, if you have due cause and *real* cause to believe *and you can prove* to the court that the man's ability to pay the rent is not materially affected by the service, you may make application to the court after ninety days asking the court to force him to pay his rent. But under the terms of the act, it is again left entirely to the discretion of the court.

Present Act Improvement Over 1918 Act

You cannot repossess merchandise from a man in active service under a contract which was signed prior to the passage of the act unless you have his consent in writing. This is one notable change from the last act. Under the former provision you could not take merchandise back either with the debtor's consent or without. If you did, you made yourself liable to fine or imprisonment. The inclusion of this mutual agreement provision is less the result of merchant pressure than it is evidence of voluntary cooperation on the part of the Judge Advocate's Office.

Again you *may* bring an action to recover merchandise by alleging that the man's ability to pay is not materially affected by his service; but, again you are entirely at the mercy of the court, and the court is permitted by the law to decide that if you want your merchandise back you must give back to the man everything that he has paid on it so far.

There is a portion of this bill which relates to the statute of limitations. The period of military service should always be deducted from the age of a debt to

determine the actual length of time the account has run legally. In other words, if your obligation has been due for six years and a man has been in service for one year, your account is only five years old as far as the statute of limitations is concerned. Under the new law, guarantors are afforded the same protection as the debtor. However, at the present moment the moratorium on instalment contracts applies to instalment contracts made prior to the passage of the act. If the law remains as is and there is no further legislation along these lines, retailers may subsequently draft contracts in a form that will best protect their equities.

Law Protects Both Merchant and Draftees

Most of us will concede, then, that these men are entitled to protection, and we may likewise concede that the protection afforded by this law is expressed in simple enough terms so that all parties will know their rights and their responsibilities.

It is easy to see that it will be extremely difficult to collect from a man called to service *if he does not want to pay*. So you come right back to the old essential of credit responsibility, which is character. (For our purpose *the man's desire to pay his bill*.) Legislation or no legislation, draft or no draft, one thing stands out as important and that is the frame of mind of your consumer public.

For over twenty years retail credit has successfully and convincingly demonstrated the inherent honesty of the American public as a whole. There is no reason to believe that short of a major catastrophe anything is going to happen to the moral fibre of this same American public.

Moral Effect in England On Payment of Accounts

It is true that in their darker hours in England, there may be a certain deterioration in the principles of the general public. We learn in graphic terms from Mr. Louis Monk, John Blundell, Ltd., London, that when you are awakened every night by dive bombers, air raid sirens and the bark of anti-aircraft guns, and that when the largest part of your daily existence becomes the crawling in and out of rat holes to save your body from being shattered in some mighty blast of dynamite, people may very conceivably get into a sort of "I don't care" or "What the hell does it matter anyway" attitude about many things including the payment of their bills. But that even in an inferno like this, at the very slightest turn for the better, even a few days' cessation in bombing, there was immediately reflected in the attitude of the people a marked change for the better. Yes, an improvement even in their attitude toward their bills. Collection figures show it clearly. Neither you nor I believe that this country will soon be subjected to any such trial by fire.

To be very frank, about the only change in policy that we can really make with regard to these men who are called to service is to refuse to sell them and who wants to do that? If your own conscience and public opinion aren't enough deterrent, competition is going to keep you from doing it. It may very conceivably turn

(Turn to "Extending Credit," page 29.)





Letters To The Editor

"Congratulations on the format of the recent editions of The CREDIT WORLD, the splendid articles and worth-while ideas set out in the publication for the benefit of all credit executives and bureau managers. These should do more than anything else to increase the efficiency in credit department operations and bureaus, than any other activity we now have."—H. O. Schultz, Manager, Calgary Retail Credit Grantors' Bureau, Calgary, Alta., Canada.

"We find our membership very beneficial, and your magazine, The CREDIT WORLD, has become a habit. We would be lost without it. Your new covers are all very attractive and add greatly to the appearance of a great little conveyor of credit knowledge."—R. W. Smith, Secretary, The Ravenna Merchants' Credit Company, Ravenna, Ohio.

"I have found the new streamlined stickers provided by the National Association the best available for speeding up collections on open accounts during an experience of over fifteen years. I am delighted to observe the new stickers for installments, especially No. 7 and No. 9, which I consider superior to any I have come in contact with for delinquency of this type of account."—H. M. Tobolowsky, Manager of Credit Sales, E. M. Kahn & Co., Dallas, Texas.

"The articles in recent CREDIT WORLD'S have been most interesting and educating. There is a lot of favorable comment about them among the credit men here."—T. L. Ford, Credit Manager, Boggs & Buhl, Pittsburgh, Pa.

"I want to tell you how proud I am of our girls who were made members of the Board of Directors of the N. R. C. A. This recognition speaks well for our breakfast clubs. I like the new covers on The CREDIT WORLD and the new headings on the articles. It has shown new improvement of late and I am deriving a lot of help through its various articles, particularly on collection letters."—Clara E. Haney, Credit Manager, Herzberg's, Omaha, Neb.

"I would appreciate the two booklets, 'How to Organize and Conduct Credit Schools' and 'The Value of Retail Credit Associations.' I am sure they will be as valuable to me as is The CREDIT WORLD which I look forward to receiving each month. This magazine should be on the 'must list' of every credit executive."—F. B. Cody, Credit Manager, J. N. Adam & Co., Buffalo, New York.

"As chairman of the Legislative Committee of our local credit association, I wish to comment very favorably on your editorial in the September CREDIT WORLD, 'The Draft and Collections.' The appropriateness of the subject served as a topic for an interesting and informative discussion at our last meeting and the consensus being that the suggestions were consistent and good safeguards to follow by credit granters."—E. F. Wilusz, Hoffmann-Thomas, Toledo, Ohio.

"I am very appreciative of the publicity which the National Retail Credit Association has given credit bureaus in The CREDIT WORLD throughout the year, and particularly that publicity which was given at San Antonio to the Associated Credit Bureaus of America."—Fred S. Krieger, Manager, Credit Bureau, Milwaukee, Wis.

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The Retailer And the National Defense Program

By **Dr. DAVID R. CRAIG**

President, American Retail Federation, Washington, D. C.



Effect of a War Emergency on Retailing

THE transition from a peacetime economy to a war economy involves fundamental changes. A nation at peace can afford to devote its entire attention to increasing the national income and distributing that income equitably. As war approaches, the need is to get ready for it as quickly as possible without disturbing the normal civilian life any more than necessary.

In three ways, preparation for war attacks our usual peacetime customs:

1. It tends to contract the flow of certain goods to consumers because of production bottlenecks created by the war demand, and it raises the danger of artificial restrictions.
2. It affects the amount of goods which consumers can buy and which retailers can sell, depending considerably on the method of financing the war.
3. It stresses manufacture at the expense of living standards. As production capacity becomes pressed, the economic balance shifts away from consumers and distributors toward producers and manufacturers. This shift occurs just at a time of increased regimentation and Government control which may easily extend beyond the need of war preparation and beyond the end of the emergency.

These three points can be analyzed further.

1. The Diversion of Resources

Our present national income is said to be running at about 70 billion dollars a year. Some economists say that this could be boosted to between 90 and 105 billion dollars if we re-employed all of our idle men, plants and dollars. In other words, if we could quickly make full use of our existing facilities, we could add from 30 to 50 per cent to our peacetime production for purposes of armament and defense, without subtracting from current consumption.

But speed is of the utmost importance in preparing for war. We cannot wait until we have quietly and deliberately organized all of our idle resources for war production. Here and there we shall need to divert some of our present resources from peace work to war work. For example, we

may need to use some automobile plants for making tanks and airplanes, or some clothing factories for making uniforms. Wherever this is necessary the remaining plant capacity may not be able to handle the ordinary demand for civilian goods, and we shall have so-called "bottlenecks."

Bottlenecks stimulate price increases, because the demand for goods exceeds the supply at old price levels. Higher prices can be averted only by building additional capacity from idle resources or by Government price control, including rationing, which is a direct means of limiting demand.

Engineered restrictions of output and price increases can develop where competition is too weak. With profitable war orders on their hands and with idle plant capacity disappearing, manufacturers may have less incentive to compete for the civilian market. Such artificial bottlenecks can be avoided only by vigorous enforcement of competition or by direct Government price control.

2. Financing the Defense Program

When they are used successfully, war materials produce survival and national security. But war materials are not productive in the usual peacetime sense, and must be paid for out of the national income. The retailer has a special interest in the decision as to how the defense program is to be financed.

Shall preparedness be financed by taxation or by borrowing? If by taxation, are the taxes to be levied on the part of national income which would be spent for consumption or the part which is saved? If by borrowing, are the funds to be borrowed from current savings or from credit expansion?

We are told that credit expansion would encourage reabsorption of idle resources in the present stage of defense preparations but, if continued, would stimulate general inflation as we get close to full employment.

In the past, taxation at the federal level has always drawn upon both the consumption and savings

Editor's Note

What is the relation of the retail merchant to the national defense program? This question will be the subject of a series of four articles by Dr. Craig.

This, the second article of the series, describes situations which are likely to confront retailers as we change from peacetime to wartime economy.

The first article, which appeared in the October **CREDIT WORLD**, outlined the kind of contribution retailers can make toward the national defense program.

The third will show what has happened to retail merchants in two countries actually at war—Great Britain and Canada.

The fourth will describe the activities of the American Retail Federation and the preparations which it is making toward national defense.

portions of national income. A heavier drainage of defense taxes from consumption than from investment funds, some economists hold, would place a disproportionate share of the burden upon consumption and distribution.

There are times, of course, when war preparation requires large consumption sacrifices. In 1917, for example, we were already using our productive facilities to the peak, and in order to expand military output further, it was necessary to divert resources from consumption, thus shrinking civilian living standards. But today, as noted, we have much idle capacity and it is therefore unnecessary to restrict consumption by taxation in any important degree. We must decide whether we are to pay for the national defense by shrinking the national income before such a restriction becomes necessary, before we are fully utilizing our existing productive capacity, and while we are still spending large sums for the care of the unemployed.

3. The Shift in the Economic Balance

With the emphasis on production increasing every day, there are attempts to eliminate any restrictions upon output for military preparedness.

It has already been claimed in some quarters that the operation of the anti-trust laws represents one such restriction. Possibly it will be necessary to permit a closer cooperation among some manufacturers than would be tolerated under the anti-trust laws in peacetime. But a justifiable relaxation of anti-monopoly regulations in the area of specialized military goods could easily extend into the civilian area of production, especially where manufacturers are selling part of their output to the Government and part to consumers.

Thus, in civilian industries where the demand-supply situation has shifted in favor of manufacturers, retailers and other distributors will need to be especially vigilant in drawing the attention of the authorities to this question. If wartime relaxation of the anti-trust laws in the production and distribution of civilian goods should result in price increases fast enough to irritate the population, it is likely that the Government would be compelled (as it was compelled in England) to step in with restrictions in the name of the war emergency.

Moreover, there is always danger that Governmental controls and restrictions may outlast the emergencies which caused them. Retailing has a definite interest in preventing the situations which might serve as an excuse for such controls, in being prepared to make its position known and felt if such controls are contemplated, and in assuring the termination of controls when the emergency is over.

The National Defense Organization Up to Now

Some time ago, the fate of the low countries brought the United States to a serious awareness of its own need for national defense. This section describes the national defense organization up to date.

1. The Organization

In 1916, Congress created a Council of National Defense. It was to consist of

The Secretary of War
The Secretary of the Navy
The Secretary of the Interior
The Secretary of Agriculture

The Secretary of Commerce
The Secretary of Labor

On May 29, 1940, under the terms of the same law, President Roosevelt appointed the Advisory Commission to the Council of National Defense, as follows:

Industrial Production	William S. Knudsen
Industrial Materials	Edward B. Stettinius, Jr.
Employment	Sidney Hillman
Farm Products	Chester C. Davis
Transportation	Ralph Budd
Price Stabilization	Leon Henderson
Consumer Protection	Miss Harriet Elliott

A number of important staff functionaries have been added to the emergency organization, as follows:

Administrative Assistant to the President, and head of the Office for Emergency Management in the Executive Offices	Wm. H. McReynolds
Director of Information	Robert W. Horton
Director of Research and Statistics	Stacy May
Coordinator of Housing	Charles F. Palmer
State and Local Cooperation with Advisory Commission	Frank Bane
Coordinator of National Defense Purchases	Donald M. Nelson



These persons act theoretically as advisors to the Advisory Commission, but some individuals are coordinate with the Commission and equal in authority. Mr. Nelson, for instance, reports direct to the Council and by vote of the Advisory Commission sits with them.

The duties of the Advisory Commission consist primarily in supervising and directing investigations and making recommendations to the Council of National Defense on all matters concerning the national defense.

2. Specific Results of Special Interest to Retailers

Retailers will be especially interested in the work of five parts of the Defense Commission:

A. The Division of Consumer Protection

This division, headed by Miss Elliott, is of the greatest importance for retailers. Its major task is to protect our civilian economy as much as possible from the im-

pact of the defense program, and it might more accurately be described as the "civilian division." The retailer's function in the defense program rests entirely with the civilian population. He cannot expect direct profits from war orders and his hope of maintaining his business is to be able to supply goods at prices that the public can pay. Unnecessary shortages of civilian goods, unnecessary open or concealed price rises, are as much opposed to the retail interest as to the consumer interest.

Dr. Ben Lewis has established an economic staff in the Consumers' Division. This staff is studying the major defense problems from the consumer's viewpoint.

On August 1 and 2, eighty-three representatives of leading consumer, civic, and labor organizations of the nation, with 55 consulting specialists, met in Washington with the Consumers' Division. The most important resolutions from the retail viewpoint may be summarized as follows:

- (1) Consumers need accurate, up-to-date information on prices and quality of consumer goods, and on the general situation of inventories and supplies.
- (2) Consumer groups should be helped in developing the necessary understanding and interest to get such information used effectively.
- (3) Existing standards of quality for consumers' goods should be compiled and widely disseminated; the cooperation of business and the use of standards should be sought; where standards are not available, informative labeling should be considered and new standards developed.
- (4) Miss Elliott's office should consider steps to prevent unwarranted increases in price.

Miss Elliott called a similar conference with retailers on August 29.

B. Division of Price Stabilization

The work of this division, headed by Mr. Leon Henderson, is to study prices and processing of raw materials. Price stabilization at the raw material and processing levels is of the utmost importance, for if price increases can be prevented or minimized at this level, and if competition is allowed to continue, increases at subsequent levels will be slight.

This division so far has limited its studies to certain key products in order to determine whether any price increases are justified.

C. Division of Farm Products

The duty of this division, under Mr. Chester C. Davis, is to reconcile national agricultural policy with the defense program, and particularly to maintain the parity system of agricultural and industrial prices.

This division is charged with supervision of the food supply for the military and civilian population. Mr. George Livingston, formerly with the Millers' National Federation, has been appointed director of food supply. Newspapers have said that in case of war, Mr. Livingston's duties would correspond to those of the Food Administrator in 1917 and 1918. The decisions he might make about rationing or price controls would affect the sales and profits of every food retailer in the country. As in the case of the Consumers' Division, there is no retailer on the staff of the Farm Products Division.

D. National Defense Purchases

This office, under Mr. Donald M. Nelson, Executive Vice President of Sears Roebuck & Company on leave of

absence, is charged with the determination of the most economic and effective methods of purchasing repetitive items common to different Government agencies. It keeps track of purchases by all federal agencies, coordinates research in specifications, determines current requirements of all federal agencies, and estimates future requirements. It is also charged with recommending priorities for essential defense orders.

Thus, this office is one of the major links between defense preparation and civilian economy. The timing of war orders in relation to the usual fluctuation in civilian business may mean the difference between stable prices and a runaway market. The priorities question and the estimate of future requirements will influence the supply of civilian goods and will substantially affect their prices. With the help of other retail merchants, Mr. Nelson's office has accomplished a number of valuable results by timing government orders so as not to interfere with civilian supply.

E. Coordination of State Defense Councils

This unit is a recent addition to the Defense Commission and is headed by Mr. Frank Bane.

State defense councils have been appointed so far in the following states:

California	Michigan	New York
Connecticut	Minnesota	Pennsylvania
Georgia	New Jersey	Tennessee
Indiana	New Mexico	Utah
Louisiana		Virginia

They rank in size from one coordinator in Minnesota to 55 persons in California. Mr. Bane's office is to coordinate the activities of these and other councils which may be formed, and transmit their suggestions to the Advisory Commission.

State and local councils can contribute much to prevent consumer hysteria as well as unjustified price increases at all levels. It is, therefore, of importance that retailers should be adequately represented on these councils. If they are not represented, there is some danger of the retail industry being ignored as an integral part of the total defense program.

National Defense Legislation

Many bills have been introduced in Congress pertaining to national defense, and can be grouped under three heads:

1. Expenditures

It is not possible to quote exact figures for the total appropriations authorized for national defense so far, for not all the authorizations have been definite. Appropriations and contracts authorized for the army and navy amount approximately to 10 billion dollars. Before the end of this session this sum may increase to 18 or 20 billion dollars. If defense appropriations increase to 20 billion dollars, the amount will be equal to about half the total annual retail business in the United States (1939). Much of this expenditure will flow into purchasing power and will have an important effect on the retail business. Relatively little work is now under way, however, because few contracts have been let. The effect of these expenditures will not appear widely for several months.

2. Taxation

The imposition of taxes to pay the costs of preparation for war has lagged considerably behind the approval of expenditures. One tax has been enacted and another is under consideration.

The Revenue Act of 1940 increases tax rates with the intention of adding one billion dollars to Government revenues. The estimated addition is achieved by increasing income taxes on individuals and corporations, and by increasing existing excise taxes. The increase in income taxes is expected to produce 620 million dollars, and the increase in excise taxes, 380 million dollars. The increase in income taxes raises the rates in all brackets and lowers exemptions. The total revenue from taxes this year is estimated at 6.1 billion dollars.

The broadening of the base and the increase in excise taxes cannot help limiting consumer expenditures, and much of the revenue will come directly from consumption even in the case of income groups which do not spend their entire income. In the lower income groups, those incomes will be taxed for the first time. Savings frequently consist of life insurance or mortgage payments—fixed contributions—which cannot easily be changed. This arrangement will partly offset the effect on retail business of increased Government expenditures.

The President has asked for an excess profits tax. The House Ways and Means Committee has held hearings and is now engaged in discussion of a bill to be introduced possibly next week. Although the precise nature of this bill cannot yet be predicted, it seems likely that it will include an amortization feature and a war profits feature. The amortization aspect is expected to clarify the situation of manufacturers and others who need to erect new plants for the production of war materials but who have hesitated to let their contracts because they could not predict whether they could recover their costs. The war profits feature is intended to prevent undue enrichment of some at the expense of others, as a result of national defense. It is not expected to raise much revenue, but only to tax excess profits due to war preparation.

Since the expenditures may run to 20 billion dollars, and the increase in revenue is not much more than one billion dollars, it is logical to expect new tax proposals at the beginning of the 77th Congress in January, 1941. The new tax proposals will be of vital concern to retail merchants not only because of their own tax expenditures, but equally because of the incidental effects of the taxes on purchasing power and retail sales, as well as on preparation for national defense. There is already a multitude of tax proposals. They vary from two extremes. At one extreme is the steeply graduated income tax. At the other is a general national sales tax which would affect primarily that part of the national income spent in retail stores.

3. Conscription

The leading conscription bill (the Burke-Wadsworth bill) has been passed. In its present form it limits selected drafts to men between the ages of 21 and 35, and provides a 12 months' training period. One of its provisions requires employers to restore to their former positions regular employees who are drafted unless the employer's circumstances do not permit. Failure to

do so is made an unfair labor practice under the National Labor Relations Act, and if that act cannot compel an employer to comply with this provision, a District Court of the United States may order reinstatement.

The Effect of the Defense Program on the Economic System so Far

It is too early to judge the effects of the national defense program on the economic system. Business activity has generally increased. With the exception of a small slump in July, the business of major industries has risen consistently since April. The retail business has shown a steady and general improvement. The Federal Reserve index for department store sales for the past three months has averaged $3\frac{1}{2}$ per cent above similar periods of last year. Variety store sales are up approximately 4.1 per cent over last year, mail order houses show an increase of 10.0 per cent.

The unemployment problem, however, has not been solved. The latest estimates still show between 10 and 11 million out of work.

The price level of consumer goods, as expressed in the cost of living index, has been relatively stable. The index for July is 0.7 of 1 per cent higher than in March. Food costs have risen substantially in some places; in Chicago for example, they have risen 5.6 per cent.

There has been no public statement of a desirable price policy for the Government to pursue. Government has made no announcement of the steps that will be taken to prevent orders for national defense from affecting prices and supplies of civilian goods unnecessarily. The public and part of the business world are still guided by its memory of the last war when prices doubled and essential articles were scarce even at high prices. The hysteria of September, 1939, has almost disappeared, yet some retailers still press consumers to "buy now before prices go up." To some extent retailers have been guided by the same appeal in their own buying, especially in ordering larger-than-usual quantities of items in which military competition is expected.

Widespread publicity of defense orders and of total productive capacities, as well as the timing of defense order deliveries will minimize the disturbance of civilian business and will permit retailers and consumers alike to avoid unnecessary price dislocations. *It is apparent from the foregoing that retailing has an important stake in the activities of the Defense Commission.*

Position Wanted

CREDIT OR COLLECTION MANAGER: 17 years' experience, thoroughly competent. Age 37, married, now living in Southern California. No reasonable offer will be refused. Address Box 111, CREDIT WORLD.

Help Wanted

RETAIL CREDIT MANAGER—For department store selling medium priced merchandise in town of 50,000, one hour from Chicago, store volume one million. Apply only if you are now doing a good job in a similar capacity. Salary commensurate with ability. State detailed experience, age, etc., in first letter. Confidential. Address Box 112, CREDIT WORLD.

Credit Department Letters

ETHEL M. DOPP, President, Credit Women's Breakfast Clubs of North America, a Division of the National Retail Credit Association, is one of the most foresighted credit women in the United States!

Thinking of the continued growth of her remarkable organization, and of the welfare of almost 6,000 splendid credit women all over the United States, she inspired a planned educational program to carry through 1940 and 1941.

It was my good fortune to prepare a set of eight lessons as a part of this program, and I should like all of the credit executives who read this page to glance at the subjects these credit women will be studying:

Putting Your Best Foot Forward

1. Your Tremendous Power and How to Use It.
2. Grammar versus Grammarphobia.
3. The Star, Chain, and Hook in Business Letters.
4. Words, the Living Magic of Business.
5. Enunciation Faults.
6. Public Speaking and Parliamentary Procedure.
7. The Seven C's of Cordial Contacts.
8. About "The Greatest Thing in the World."

You will notice that not only credit letters, but also telephone calls and personal interviews were included in the lessons.

Retail organizations, country-wide are becoming more and more public relations conscious.

As a good deal of time was taken in preparation of the lessons, and as I am sure the credit women would like to share some of the thoughts that were collected for them, I am happy to quote the following from Lesson No. 1:

Little Things Show Mental Attitude

"It's in the little things we say and write that we express our mental attitude. A businessman who had been traveling abroad and had visited a historic spot thought he recognized a place he had read about. He asked the guide, 'Is this such and such a place?' The answer was, 'Right, Sir.' Later in telling of the incident, this man remarked how pleased he had been at the implied commendation. That guide could have answered merely, 'Yes,' but he had learned how to express approval even in a trivial way, an excellent habit to develop.

"With each word we utter, we show our mental development, our personality, our character, as plainly as Van Dyck, the celebrated portrait painter, did. On a visit to Franz Hals, the famous Dutch artist, whom he had never met, he was mistaken for a client. Van Dyck said nothing, sat for his portrait, and on its completion startled Hals by offering to paint his portrait in turn. Hals studied Van Dyck's work, mystified; then suddenly he embraced his visitor exclaiming, 'Van Dyck, it is you!' Every brush stroke proclaimed Van Dyck's identity as clearly as his signature would have done.

"So in the business world, the handling of a telephone call, the way a visitor is received, the tone of a letter, all proclaim your identity, your personality, your capability, in short, yourself."

This Month's Illustrations

Illustration No. 1 was written by Mr. Frank Batty, General Credit Sales Manager, Hale Bros., San Francisco, California. Mr. Batty has used the inductive method of letter writing—explaining the general circumstances, before giving the big idea. In his third paragraph, Mr. Batty has expressed his approval of the customer by assuring her that everything possible will be done to satisfy her.

From such a fine letter as this we are sure that many responses similar to this reply from one customer, who was a habitual returner of merchandise, were received: "Yes, I see your side of the story and I shall do all I can to remedy this situation. Hale's has always been our favorite shopping center and always will be."

Illustration No. 2 is a printed statement from Young's Furniture Co., West Lynn, Massachusetts. Every detail of the account is clearly and concisely given. Notice the appeal to the customer's pride in the words, "restore your account to its customary excellent standing." The pride approval appeal gets results. The personal signature of the Auditor adds a lot of weight to this statement.

Mr. Louis Selig, Rosenfield's, Baton Rouge, Louisiana, has let us use "Reminiscences of the Credit Man," as Illustration No. 3. The wording of this message, as well as the striking arrangement is most attractive. Though the results of good will messages cannot be tabulated in figures, they indirectly influence the success of any business.

Illustration No. 4 was composed by Mr. Robert Thompson, Thompson Bros., Anacostia, D. C. The confidence expressed in this letter shows that Thompson Bros., is an established and well-managed organization. The tabulated list of the high standards of the company is most convincing, and the last paragraph is well worded and stimulates action on the part of the reader.

Illustration No. 5 is from Miss C. E. Butcher, The Muhlfelder Co., Inc., Troy, New York. Miss Butcher shows approval of her customer in the second and last paragraphs by expressing her personal confidence in the customer. The third paragraph gives the terms and shows that the account has been thoroughly analyzed. The thoughtful, considerate tone of this letter is most effective.

Aline E. Hower

HALE BROS.

MARKET STREET AT FIFTH
SAN FRANCISCO, CALIFORNIA

①

September 16, 1940

Mrs. John Doe
1094-69th Ave.
San Francisco, Calif.

Dear Mrs. Doe:-

A customer who purchases merchandise from a store and later return it, is, in the majority of cases, probably unaware of the great amount of work involved, and the additional cost, which, in many cases, is unnecessary. Consequently at stated intervals we analyze our accounts, and where we note excessive returns we call the attention of the customer with a view to ascertaining the real reason for abnormal returns, for our mutual benefit.

Your account has just been called to our attention. We note that during the past year, by far the major portion of your total purchases have been returned. Perhaps you would kindly inform us if there is any particular reason why, in your case, the returns should be so large.

Please be assured that it is our desire to render the best possible in merchandise and service, but it is neither profitable to the store or satisfactory to the customer when so many of the purchases are returned.

In endeavoring to ascertain the real reason, we will greatly appreciate your response.

Thanking you for past favors and awaiting your reply, we are,

Cordially

HALE BROS.

F. BATTY
Credit Sales Manager

FB:MS

AUDITOR'S STATEMENT

Account No. 562

②

October 9, 1940

Full cash:

H. Titus,
Chairman
reservati
famed

Your terms are \$2.50 weekly.

You missed payments on 9-25-40 & 10-2-40

Your arrears since 9-18-40 is \$7.50

We shall be grateful for your payment which will restore your account to its customary excellent standing.

J. E. Kostick Auditor

YOUNG'S FURNITURE CO.
760 Western Avenue
West Lynn, Mass.

Last payment 9-18-40

Balance \$7.50

If more convenient, please L.Ym 3-9860 and our agent will call for payment.

③

★
On the
threshold
of the New Year
this little message
comes to you with a two-
fold mission

First, to tell you how grateful
we are for your patronage and the
promptness with which you paid your
account during the year 1939 and how eager
we are to do everything possible to merit your
good will during the coming year

Second, to
express to
you our
sincere
hope that

1939 will be a Happy Year and a
Prosperous and Successful one
for you and yours

The Credit Man

Rosefield's



REFRIGERATORS FLOOR COVERINGS STOVES RADIOS

THOMPSON BROS. FURNITURE

1220 Good Hope Rd. S. E. Phone Lincoln 0154
May 9, 1940

Mr. John Doe
105-Blank St.
Washington, D. C.

Dear Mr. Doe:

④

It's the little things in life that count! Let's consider your shopping habits!

Have you ever pondered the reasons why you habitually shop for home-furnishings at certain stores? The word of an acquaintance...attractive credit arrangements...because Mother shopped there...? Or why?

We cannot guess about THESE things! We've given lots of thought to it, and we sincerely believe certain little things are responsible for attracting the many people who shop HERE with US!

The unfailing QUALITY of our selections...
The LOW PRICES we invariably offer...
The COMPLETENESS of our stocks...
Our very LIBERAL credit terms...
The ABSENCE of "high pressure" methods...
The FREE, unlimited PARKING on our lot...
Our belief that our customers are FRIENDS!

No one of these is important alone-but together they represent a business built upon honest and fair dealing... policies we are pledged to preserve!

So please accept this little suggestion that you pay us a visit very soon. Perhaps it will be one of the "little things" that will bring you greater shopping satisfaction and a lasting friendship with us.

Very truly yours,

THOMPSON BROTHERS

Robert Thompson

A Fine Women's Shop
THE MUHLFELDER CO.
50 THIRD STREET
TROY, N. Y.

⑤

January 20, 1940

Mrs. C. R. Union
248 Ninth Street
Troy, New York

Dear Mrs. Union:

We are nearing January 31st, the close of our fiscal half year. At this time our accounts will be audited and all overdue balances turned over to our collection department.

Because I have every confidence in you, I would like to ask your co-operation in having that part of your balance overdue paid before that date.

For your convenience we have analyzed your present balance month by month to show you which part is now overdue according to our 30 day policy.

I feel sure that you will accept this request in the same friendly spirit in which it is sent and favor us with a prompt remittance.

Sincerely,
The Muhlfelder Co., Inc.

CEB/W

Oct. \$4.50+
Nov. 2.25+
Dec. 3.00
9.75



Overdue

Charge Account Collection Stickers

13



14

15



Shown exact size. Printed in blue ink on different color paper. Price \$2.00 a thousand; assorted, \$2.50 a thousand. Order by number from your Credit Bureau or

National Retail Credit Association
1218 Olive Street St. Louis, Mo.

New Books Received



Know Your Money (United States Secret Service, Treasury Department, Washington, D. C., 10 cents)—This little booklet tells the story of money. It shows a picture of a counterfeit \$1 bill and a diagram showing the position of important features of paper currency. It reproduces the faces which appear on bills of various denominations, taken from actual engravings. It tells of the three types of paper currency, the Federal Reserve Notes and their symbol letters. It also tells how to detect counterfeit bills and contains pictures demonstrating the difference. How to detect counterfeit coins is also explained and a recipe given for an acid test so you can determine whether a coin is good or not. Every employee in your firm who has occasion to accept money or cash Government checks should have one of these booklets.



The Pattern of Competition (Columbia University Press, New York City, 106 pages, \$1.25)—"Is competition an effective instrument of order and justice which a society can use at its will? Is it instead an institution of transition, an economic order which lives precariously between two eras of authority? Or is it, after all, a great myth by which we reconcile ourselves as best we can to a public system which goes its own way? What then is to be its place in the national economy which presently we are to redesign?" These are the questions, that the author, Walton Hamilton, asks at the beginning of his book and which he attempts to answer. These are also the questions the people of the United States must answer shortly. The timeliness and importance of this book are obvious. It is addressed primarily to the reader who has had no special training in the field of economics. For brilliance and pertinence we doubt that anything to equal it has been done recently.



How to Win Friends and Influence People (Pocketbooks, Inc., 1230 Sixth Avenue, Rockefeller Center, New York City, 308 pages, 25 cents)—This book sold 1,200,000 copies in its original edition at \$1.96 and was adopted as a sales manual by scores of large corporations. Some of the firms who bought it in quantity for use by their sales force were: General Motors, General Foods, General Electric, Western Union, Ford, American Radiator, Bristol-Myers, and most of the large insurance companies. Many of these corporations had Mr. Carnegie conduct special courses for their salesmen. In this book, there is a practical outline of the fundamentals of salesmanship covered in his course. At \$1.96 it was a good investment for key salesmen. In the new edition at 25 cents (and less for quantity) you can use it for every salesman.

An Open Letter to All Members

Dear Friends:

It certainly was a grand convention in San Antonio. After the splendid example of Southwest hospitality, we know that New York City is going to work overtime to make the 1941 Credit Sales Conference and Business Forum of the National Retail Credit Association outstanding. We want to make it a typical New York Convention, utilizing all the great attractions which we have to offer.

Our General Convention Chairman is Mr. A. J. Kramer, Credit Manager of Borden's Farm Products. He has appointed most of his committees and five meetings have been held already. Committee Chairmen are hustling all over town making surveys of the prospective events for the program and entertainment.

You can help us a great deal by frankly stating what you would like on the program, what you would like to do and where you want to go most. We have a fairly good idea of the itinerary of the average visitor, because about five people each week visit our offices as a point of call. We want your viewpoint, so we can be sure that our ultimate program hits the high spots.

Our first assumption, based on talking to many delegates at San Antonio, is that most of the visitors will want plenty of free time to do what they individually prefer. So our plans call for entertainment features on Sunday, Tuesday and Thursday nights of the convention. Monday and Wednesday nights will be open.

To help you spend Monday and Wednesday evenings to full capacity, we have several special committees. J. H. Titus, Credit Manager of Postal Telegraph, is Chairman of a Committee to help you get advance reservations for shows, night clubs, broadcasts, ball games, famed eating places and other events where it is important that you have places for your party reserved.

Another Committee will get up a list of which places to go. We will tell you where they are, how they rate, what the cost will be and other details so you will get your money's worth and know just what you can expect. We will list the best eating places according to their specialty, such as seafood, steaks, crepes suette, Rumanian food, Russian food, Swedish "smorgasbord" and all the other famed dishes which New York has in such profusion. We'll explain which are the leading shows and what they consist of. We'll tell you how to get to Coney Island and what events to take in, how to reach the Statue of Liberty, all about the Radio City tour.

Right at this point, here is a valuable suggestion. The New York Convention is going to be unusual in that most of the delegates are going to include their vacation in the trip. We'll obtain road maps, if you drive, or make reservations by plane, or railroad.

Start saving now for the 1941 Convention in New York City, and fulfill that dream of spending your vacation in the World's Headquarters for fun and education.

Cordially yours,

B. A. Farrell A. J. Kramer A. B. Buckeridge
President General Chairman Executive Manager

WHAT ARE THE ODDS AGAINST YOU IN LAX INSTALLMENT SELLING?

BY

Clyde Wm. Phelps

IS there increasing risk for the retailer in the growth in installment selling? For installment selling is growing—not only in dollar volume, but also in proportion to all retail sales," says Clyde Wm. Phelps, well-known authority on credit problems. "This expansion has been characterized by the lowering or elimination of down payments, the reduction or abandonment of carrying charges, and the lengthening of the credit period.

What increases odds

"Such weakening of credit terms increases the probability of an account being repossessed or written off, increases the odds against you. An analysis of 10,000 installment accounts shows the odds against you in lax installment selling to run from 2 to 1 to as high as 12 to 1.

How you may win

"Theoretically, a retailer may be able to do a profitable installment business on the basis of three to five or more years to pay, no down payment or only a small deposit, and with

no special precautions in credit granting—IF his competition will permit him to charge a mark-up adequate to take care of the excessive cost involved.

"But most retailers find that their competition will not allow them more than a reasonable mark-up. Under such conditions a controlled installment credit policy is necessary for profitable operations."

Booklet tells what to do

Just what is a controlled installment credit policy? How do you set up your policy and how do you put it into practice? Dr. Phelps answers these questions in a free 40-page booklet, "Controlled Installment Credit". This booklet tells how to control your installment accounts and increase your net profits by taking six simple steps. This booklet is published by Household Finance to promote better credit methods. You are invited to send the coupon for a copy without obligation.



HOUSEHOLD FINANCE Corporation

One of America's leading family finance organizations with 282 branches in 184 cities

HOUSEHOLD FINANCE CORPORATION
Dept. CW-K, 919 N. Michigan Avenue, Chicago, Illinois

Please send me without obligation a copy of "Controlled Installment Credit."

Name.....

Address.....

City..... State.....

MASTER *the fundamentals* FIRST

Retail
Credit
Fundamentals



336 Pages . . .
Waterproof
Binding

Written expressly for the Educational Course of the National Retail Credit Association by Dr. Clyde William Phelps, Head of the Department of Economics of the University of Chattanooga.

EVERYTHING possible has been done to make this the finest textbook for retail credit study—the last word in books on retail credit. The text has been prepared under the direction of and in collaboration with your Educational Committee and other leading credit executives throughout the United States and Canada.

It represents the best thought of the best credit minds of North America. Dr. Phelps has spent several years in gathering the material which is used as the basis of this book.

Although primarily published by this Association for use in its Educational Course, this is a book which every credit executive, everyone interested in retail credit, should own and study. It is just as adaptable for home study and self-improvement as it is for class work. Read the Table of Contents. See how it covers every phase of credit and collection work. *Then order your copy.* You'll find it a veritable gold mine of ideas.

The book, "Retail Credit Fundamentals," is available to credit bureaus and credit associations, in lots of 25 or more for credit school purposes only, at \$2.25 per copy. Single copies may be ordered at \$4.00.

Write the National Office for our Brochure, "How to Organize and Conduct Credit Schools"—free on request

NATIONAL RETAIL CREDIT ASSOCIATION
1218 OLIVE STREET ST. LOUIS, MISSOURI

COLLECTING FOR NEWSPAPER ADVERTISING

By RICHARD H. BEACH

Credit Manager, Press-Telegram-Sun
Long Beach, California



WITH BUSINESS men throughout the country confronted with rapidly changing conditions, it is becoming more difficult to formulate advertising and merchandising plans for the future. The war in Europe, increased taxes for individuals as well as corporations, the rearmament program and the political unrest which usually precedes a political election, are all factors which must be taken into consideration when one attempts to solve the problem of maintaining a satisfactory sales volume. It naturally follows that collections, for the time being at least, will be difficult and every credit manager will have to use all of his ingenuity in order to maintain a satisfactory record.

It is almost impossible to compare the methods used by credit managers in various lines of business. Collecting for advertising space sold in a daily newspaper is an assignment which calls for constant vigilance because the product sold is really intangible.

Difference Between Advertising and Retail Selling

For example, a store may sell an electric refrigerator on credit and at the time the deal is closed the buyer is well aware he has mortgaged his future income in exchange for something which he will possess and use for a good many years. On the other hand, when a merchant buys advertising space in the newspaper, he agrees to pay for an advertising message which may or may not result in profitable sales for his store. Paying for an advertisement in a newspaper which failed to produce results, to some business men, can be compared to paying for a dead horse.

Retail store executives, in many cases, can even guarantee merchandise purchased will deliver satisfactory service over a definite period of time. The newspaper credit manager cannot assure the advertiser of any results, but nevertheless the advertiser is expected to pay for the advertising space.

The daily newspaper is a private institution as well as a public servant and many people consider it in a class with public utilities. This is true, in many respects, for the newspaper must publish an edition, or many editions,

each day even though there is comparatively little advertising. The newspaper is like the railroad, for passenger trains must adhere to a definite schedule regardless of whether 20 passengers or 200 passengers have purchased tickets.

Majority of Advertising Space Sold on Credit

Cash sales of advertising space of the average newspaper rarely total more than 3 per cent of the total volume. This means that 97 per cent of the total billing for any one month must be collected from charge accounts. On account of the high mortality rate among small business concerns, many newspapers place small advertisers on a weekly basis. Most theatrical advertising is also handled on this basis and this policy reduces credit losses materially, as a wide-awake credit manager is not going to let a small account run up a large bill when the weekly payments have become past due.

Classified advertising of the daily newspaper presents a real problem as at least 75 per cent of it is placed by individuals or small concerns with limited credit. That is the reason why many newspapers offer a substantial discount on advertising which is paid for previous to publication, and in the larger cities newspapers maintain a motorcycle messenger service to collect in advance when advertisements are telephoned to the office.

Our credit files contain more than 90,000 cards, representing business men and individuals, both good and bad, with whom we have done business during the past 20 years. The newspaper of today insists on cash in advance on all political advertising as well as advertising sold to promoters of various entertainments and traveling shows.

The educational program of the Better Business Bureau has eliminated most of the advertising rackets which formerly appealed to prospects through newspaper advertising, so most of our credit problems can be attributed to our local business men. Insufficient capital, too rapid expansion and the spending of too much money for advertising, are three factors which enter into the picture of credit losses—factors which must be watched continually by the newspaper credit manager of today.

"HOW TO COLLECT INSTALLMENT ACCOUNTS"

A 70-page cloth-bound book, that will make your collection job easier, and help reduce losses. Says Time-Sales Financing, "One of the best in its field, perhaps the best." Price \$2.25. Send for circular.

THE CREDIT PRESS—Box 52, Brighton Station, Rochester, N. Y.

Comparative Collection Percentages

DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)					
	1940			1939			1940			1939			1940			1939			1940			1939		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	46.2	48.0	44.2	49.1	49.9	48.6	12.5	14.6	12.0	14.2	14.7	11.6	47.7	54.3	37.9	45.8	60.0	35.4	—	—	—	—	—	—
Lynn, Mass.	50.0	53.7	37.7	52.0	60.2	40.6	44.4	49.9	38.9	40.6	42.3	38.9	—	—	—	—	—	—	13.9	22.2	11.5	13.9	19.6	13.6
1 Springfield, Mass.	51.2	52.2	50.2	50.2	51.5	49.0	13.7	15.5	12.0	15.9	19.3	12.5	41.3	42.5	40.1	54.1	55.2	53.2	—	13.4	—	—	19.2	—
Worcester, Mass.	43.6	46.7	42.6	45.8	46.2	45.2	17.5	20.0	15.0	21.4	26.0	16.9	30.6	48.8	28.0	42.5	43.8	32.0	—	—	—	—	—	—
Providence, R. I.	44.9	66.3	34.0	42.8	57.0	37.5	—	—	—	—	—	—	—	—	—	—	—	—	—	10.8	—	—	13.1	—
New York City	46.1	52.0	37.6	46.3	60.3	37.3	20.5	30.1	11.8	17.2	29.0	11.8	42.3	50.9	35.4	44.0	50.6	35.2	—	—	—	—	—	—
Syracuse, N. Y.	42.0	42.1	39.2	40.5	42.0	40.0	14.3	16.7	12.0	16.0	19.0	13.0	—	41.1	—	43.0	45.6	40.4	—	—	—	—	—	—
2 Utica, N. Y.	23.5	25.3	22.4	25.0	27.5	24.7	—	—	—	—	—	—	34.0	35.0	31.5	31.0	31.0	30.5	—	—	—	—	—	—
Pittsburgh, Pa.	41.6	47.1	35.7	41.5	45.8	36.4	15.2	18.3	12.3	15.3	19.2	12.4	41.1	47.1	34.4	41.4	45.8	36.3	—	—	—	—	—	—
Reading, Pa.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	43.7	60.7	33.7	41.3	46.6	33.4	15.6	21.1	12.9	14.6	16.9	12.8	—	—	—	—	—	—	—	—	—	—	—	—
3 Baltimore, Md.	40.6	46.8	33.1	41.1	48.9	32.8	17.0	23.3	11.0	18.1	29.3	11.0	36.1	39.6	32.3	33.9	37.9	29.4	—	—	—	—	—	—
Huntington, W. Va.	55.4	55.8	55.1	52.2	58.1	46.3	10.7	12.3	9.2	10.8	11.6	10.0	—	23.3	—	—	23.0	—	—	8.3	—	—	9.6	—
4 Birmingham, Ala.	40.2	46.1	33.0	38.4	42.4	34.0	15.2	18.4	12.0	16.1	18.0	14.0	43.6	47.4	40.3	43.0	45.3	38.0	10.8	12.2	9.0	11.3	13.5	9.1
Atlanta, Ga.	34.5	35.0	34.0	35.4	37.0	33.9	12.6	14.5	10.6	12.3	13.4	10.6	27.0	29.6	25.4	31.0	32.7	29.3	9.7	10.9	8.6	10.1	11.4	8.9
Little Rock, Ark.	33.9	36.5	31.4	36.6	38.3	35.0	19.1	25.1	13.2	18.6	21.8	15.5	—	43.0	—	—	37.1	—	—	—	—	12.7	15.5	10.0
5 Kansas City, Mo.	60.0	76.2	43.8	61.9	75.2	48.6	—	—	—	—	20.0	—	51.8	53.3	45.9	53.9	57.0	47.7	—	12.8	—	—	14.2	—
St. Louis, Mo.	50.3	58.8	44.7	49.6	57.4	43.5	14.2	20.6	15.6	16.3	21.4	16.6	34.0	37.5	30.6	34.9	40.1	28.7	—	20.9	—	—	19.6	—
Louisville, Ky.	47.3	59.8	35.5	46.2	54.3	36.0	16.2	20.5	13.9	14.5	15.1	12.1	37.1	46.3	28.5	37.8	42.5	28.1	—	—	—	—	—	—
Detroit, Mich.	52.6	73.0	40.6	55.5	72.8	40.2	23.2	28.8	15.0	24.9	30.4	15.6	42.5	46.1	36.1	46.9	49.7	43.9	—	—	—	—	—	—
Grand Rapids, Mich.	42.3	47.6	39.1	45.1	49.0	38.4	17.4	19.2	15.6	—	—	—	43.3	57.9	27.1	38.3	48.7	32.1	17.1	21.4	13.0	17.8	21.9	13.8
Cincinnati, O.*	—	—	—	49.1	52.3	44.0	—	—	—	14.8	19.6	11.8	—	—	—	35.1	45.2	25.4	—	—	—	—	—	—
6 Cleveland, O.	47.9	54.9	42.9	44.9	56.6	43.5	18.5	22.1	17.5	18.1	19.9	15.5	41.0	43.7	35.2	40.2	45.2	34.6	10.1	15.4	9.5	10.6	13.1	10.2
Columbus, O.	46.7	48.5	40.9	—	—	—	11.6	13.3	10.3	—	—	—	46.8	46.9	46.8	—	—	—	9.9	10.6	9.2	—	—	—
Toledo, O.	44.1	54.1	38.4	48.5	56.3	41.3	17.6	19.8	13.6	18.5	23.7	16.4	41.5	44.6	36.0	45.7	54.6	42.0	—	—	—	—	—	—
Youngstown, O.	42.1	42.2	41.9	43.3	45.5	41.1	14.0	14.7	13.3	14.2	14.8	13.6	—	38.0	—	—	41.2	—	17.3	19.9	15.0	17.2	19.0	15.4
Milwaukee, Wis.	46.6	54.9	46.3	48.0	56.4	41.4	18.5	19.5	17.6	18.6	19.4	17.8	37.9	49.5	23.0	42.8	48.7	24.4	10.8	13.0	8.5	9.5	12.1	9.1
Cedar Rapids, Ia.	49.5	50.0	48.0	49.2	51.0	46.6	18.4	20.0	16.9	18.3	21.0	15.6	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	47.8	49.2	46.4	49.3	49.8	48.8	12.5	13.5	11.6	13.2	14.0	12.4	—	—	—	—	—	—	—	—	—	—	—	—
Des Moines, Ia.	41.0	41.6	34.3	40.7	46.1	35.5	—	10.8	—	—	10.6	—	36.2	53.3	35.6	39.6	54.0	34.4	—	—	—	—	—	—
7 Sioux City, Ia.	43.4	46.8	40.0	44.1	46.3	42.0	15.5	16.0	15.0	15.8	16.7	15.0	—	39.0	—	—	39.0	—	—	14.3	—	—	32.5	—
Minneapolis, Minn.	64.7	67.5	63.2	68.1	72.4	64.3	17.4	19.7	14.7	19.8	24.1	15.2	55.9	55.9	55.8	55.9	56.5	55.2	—	—	—	—	—	—
St. Paul, Minn.	51.2	58.3	43.1	51.0	57.0	39.6	17.0	20.4	15.2	18.3	20.8	14.1	40.1	45.0	31.0	44.0	49.9	35.0	—	—	—	—	—	—
Omaha, Neb.	—	41.8	—	—	43.6	—	—	10.9	—	—	13.2	—	39.8	44.6	36.5	43.5	46.1	38.7	—	—	—	—	—	—
8 Tulsa, Okla.	54.9	57.6	52.0	54.4	57.9	48.3	16.8	20.3	12.0	18.0	22.1	11.0	46.0	53.9	35.0	41.5	42.5	40.5	—	—	—	—	—	—
San Antonio, Tex.	35.1	40.9	29.4	38.1	46.1	35.2	10.8	12.8	8.7	11.2	12.8	9.6	38.6	43.1	32.0	37.9	46.6	33.0	9.8	10.5	9.0	11.2	14.3	9.9
Denver, Colo.	41.6	45.8	38.7	43.6	47.1	42.5	12.6	23.8	11.3	14.5	27.8	12.9	40.2	41.8	38.7	43.1	43.2	42.9	9.2	9.9	8.5	10.0	10.9	9.2
9 Salt Lake City, Utah	54.5	59.2	44.4	58.6	64.5	50.9	23.5	34.3	17.0	25.2	42.7	18.4	—	—	—	—	—	—	—	—	—	—	—	—
Casper, Wyo.	—	107.3	—	—	110.8	—	—	—	—	—	—	—	—	29.0	—	37.0	45.0	29.0	—	—	—	—	—	—
10 Portland, Ore.	37.1	54.0	36.3	37.8	68.3	37.1	13.6	16.1	13.3	14.7	17.1	13.7	44.4	46.2	34.5	38.9	48.5	34.3	—	—	—	—	—	—
Spokane, Wash.	49.6	52.2	47.1	54.5	55.4	53.7	8.9	9.1	8.7	12.0	13.1	10.9	50.7	67.7	25.6	50.0	91.0	24.4	—	—	—	—	—	—
Los Angeles, Calif.*	—	—	—	56.1	62.0	50.8	—	—	—	17.3	19.9	15.2	—	—	—	36.4	52.0	20.7	—	—	—	—	—	—
11 Oakland, Calif.	46.2	53.4	41.4	48.8	56.3	46.0	15.2	28.6	13.9	16.0	25.8	14.3	36.4	41.8	31.0	39.0	43.7	34.4	—	17.8	—	—	18.9	—
San Francisco, Calif.	40.9	50.6	35.1	41.2	52.5	36.0	17.1	18.6	14.4	19.0	20.4	15.3	30.0	33.3	26.4	30.6	35.4	26.5	—	—	—	—	—	—
Santa Barbara, Calif.	50.9	61.5	41.4	54.4	66.7	33.3	—	—	—	—	—	—	47.4	51.0	40.5	52.5	76.0	36.2	—	—	—	—	—	—
Vancouver, B. C.	56.2	58.4	54.1	—	54.2	—	17.1	28.0	16.2	—	27.4	—	—	49.0	—	—	49.8	—	19.5	24.0	15.0	19.0	20.0	18.0
12 Victoria, B. C.	61.8	64.6	59.0	64.3	65.7	63.0	22.1	27.7	16.5	21.4	26.0	16.8	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

*1940 figures not received at press time
 †Installment

‡Furriers

§Laundry
 ¶Lumber

§Paper and Paint
 ¶Fuel

§Cleaning and Dyeing
 †Artists' Supplies

Forty-Eight Key Cities Cooperating with the Research Division

Credit Cooperation

By **L. S. CROWDER**

General Manager-Treasurer, National Retail Credit Association
St. Louis, Missouri

*An Address delivered before the first West Virginia Conference and Institute on Credit
Morgantown, West Virginia, September 26, 1940*

THE NATIONAL Retail Credit Association, while National in name, is International in scope, with a membership of 16,000.

Founded in August 1912, by a small group of far-seeing credit executives, meeting with members of the National Association of Mercantile Agencies in annual convention at Spokane, Washington, its members are located from coast to coast in the United States, Canada and several foreign countries. The Association is unlike any other business organization—its position is unique. It has brought competitors together in such a way that they have forgotten competition as far as credit is concerned. Today the credit fraternity stands as the outstanding example of cooperative achievement. Credit executives have gone more than half way in helping one another, pooling their confidential information for the common good. They have established a mutual trust that has proved profitable to the retailers.

"In Union There Is Strength" has come true, as is evidenced by the low credit losses in organized cities. By adopting sound credit policies and educating the consumer public to the proper use of credit, this modern convenience has been placed at the disposal of everyone with a good credit record.

The Credit Bureau— Servant of Credit Granters

More than 1,350 credit bureaus serve all lines of retail business in the United States and Canada. They represent 150,000 to 200,000 retailers, professional men and financial institutions. In the credit bureau files are 70,000,000 credit records. Through the services of these credit bureaus, credit granters are able to extend credit without delay to those who are deserving of it and they are protected against those whose paying records show that they have abused the credit privilege.

Twenty-eight years ago, credit cooperation between retailers was almost unknown. Few credit managers were acquainted and the store management frowned on cooperation and the exchange of credit information.

There were few credit reporting agencies and credit was often extended without making an investigation, or it was necessary to make inquiry of competitors. In 1912 there were 69 credit reporting agencies, members of the National Association of Mercantile Agencies (organized in 1905). Very few cities had local retail credit associations and meetings for the interchange of ideas and experiences were rare. Cooperation, in the early years of our Association, was limited, due to the inability of its small, scattered membership to spread the gospel of cooperation and the advantages accruing to participants.

The National Association of Mercantile Agencies' membership had increased to 216 in 1921,

when that organization affiliated with our Association and became the Credit Service Exchange Division. By 1934, when the credit bureaus became a separate organization (but closely affiliated with the National Association) the membership had increased to slightly more than 1,200. This was the result of an educational program of the Association and the splendid cooperation of credit executives and credit bureau managers.

Local, District and National Meetings

Thousands of credit granters (credit managers, merchants and professional men), members of hundreds of local associations, attend weekly, bi-weekly or monthly meetings for the discussion of problems of mutual interest. Through these meetings and State, District and National Credit Sales Forums, credit granters have learned the value of cooperation and the importance of exchanging ideas pertaining to credit problems and credit department operations. In many communities, with the assistance of the National Retail Credit Association, Community Credit Policies have been adopted. A policy recommended by this Association in 1933 follows:

It is recognized that retail credit granting involves the following functions:

- A. To assist the credit granter in making sales and to accommodate the consumer.
- B. To guard against the extending of credit to those



"Thousands of members of local credit associations attend weekly, bi-weekly or monthly meetings for the discussion of problems of mutual interest."

whose responsibility does not measure up to reasonably safe standards.

C. To prevent losses by the prompt and intelligent collection of outstanding accounts.

Accordingly, the following general principles should govern the granting of consumer credit.

Credit granters should avoid practices which may result in the consumer becoming involved beyond his ability to pay, thereby impairing his future purchasing power.

Such reasonable measures should be taken as may be necessary, according to local conditions, to insure the prompt payment of debts in accordance with contracts, so as to secure the necessary turnover of capital.

An adequate charge covering the financing function incident to deferred payment sales should be made and at the time of sale the amount of each charge stated as distinct from the price of the merchandise.

Those whose accounts are overdue beyond a stated period, as determined by local community credit policies, should pay an interest charge on such overdue balances; such stated period to be properly regarded as either 60 or 90 days.

Credit granters, in order to insure safety in retail credit granting, should properly investigate all seekers for credit before extending such accommodations, by making use of reputable retail credit bureaus or mercantile agencies which specialize in such information and to whom a debtor or merchant may apply for, and furnish to, pertinent information for the protection of both debtor and merchant.

The foregoing principles may be made effective by the immediate adoption of the following:

Standards of Practice

I. Accounts shall be definitely divided into distinct classifications as follows:

Monthly Charge Accounts
Deferred Payment Accounts

II. Before opening an account or extending retail credit adequate information should be obtained to determine the responsibility and the current credit status of each individual. This can be accomplished by clearing, giving and securing all retail credit information through the representative credit bureau in your community or trade area.

III. It is essential that in extending any retail credit accommodation the individual be advised of the terms thereof, which should include a definite due date. (Many communities have the 10th of the month as a due date.) This date is recommended to be used as follows:

Bills are due when rendered and are considered overdue after the 10th.

IV. Every deferred payment account and every monthly charge account should be opened with an understanding as to a definite due date. It is to be understood and accepted as a part of a Community Credit Policy that an account is overdue on the day following the definite due date for payment.

V. An interest charge, of a rate to be agreed upon by the individual community, shall be imposed upon those portions of balances on monthly accounts which are overdue for a specified period. Sixty days is the period now in operation in stores in a number of cities operating under a Community Credit Policy.

VI. (a) Credit should be denied to those who have past due accounts. It is only in this way that overbuying by the consumer can be prevented.

(b) The successful control of overdue accounts depends upon the full cooperation of credit granters and bureaus in giving and securing this information.

VII. An adequate financing charge shall be made on all merchandise sold on any deferred payment plan. It is recommended that a community agreement be reached regarding down payments, carrying charges, and length of contract on all merchandise sold on the deferred payment plan.

Agreement

Definition: "Deferred payments" is understood to include all sales where title is retained by the store, on which delivery is made and on which terms in excess of 60

days are agreed upon between the customer and store.

1. The terms of sale on all merchandise sold on deferred payments shall provide for a down payment of at least 10 per cent of the total amount of the sale and 25 per cent of the total amount within 60 days of the date of the sale.

2. A service charge, or carrying charge, of $\frac{1}{2}$ of 1 per cent per month shall be charged on the unpaid balance (amount of sale less the down payment). If the account is paid in full within 60 days, no interest will be charged, and in the event that interest has been paid, the amount thereof will be refunded. On accounts paid beyond 60 days only the unearned interest will be credited.

3. In all newspaper or circular advertising the down payment may be mentioned in terms of dollars or percentages, but in no case shall the amount so advertised be less than 10 per cent of the total amount of the sale. In advertising the terms of sale such expressions as "moderate," "reasonable," "convenient," "suitable" and "small" are permissible. If examples are used in deferred payment advertising, they are to be expressed in terms of \$100 or multiples thereof and are to be based on not more than 10 monthly payments.

At the 20th annual Credit Sales Forum of this Association, held in Washington, D. C., June, 1932, John B. Guernsey, then in charge of Retail Census, U. S. Department of Commerce, referred to the splendid accomplishments of the credit fraternity. I quote several paragraphs of that address:

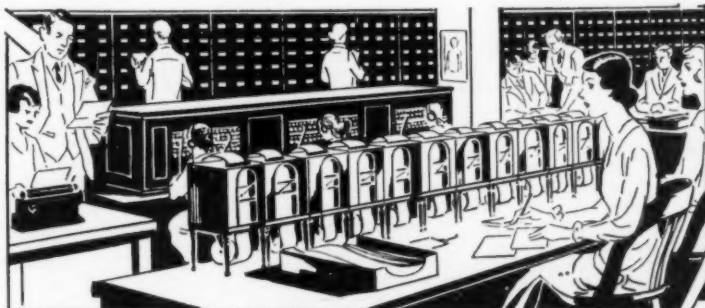
Although the depression of 1929 started earlier, the stock-market crash near the end of the year was the spectacular evidence. In a day it changed the tune of the whole country from a waltz to a funeral dirge. Within a week, those analysts and writers of market letters who had been the most diligent pointers-with-pride had become the most prolific viewers-with-alarm. And retail credit was the subject of the most critical of the current viewing, the object of the most analysis and condemnation.

Retail credit, said the viewers-with-alarm, had been expanded beyond all limit. Millions, yes, billions of dollars were outstanding on installment contracts, with no more security than a lot of secondhand merchandise and used cars. Even more billions, they asserted, were outstanding in the form of open charge accounts with no security other than an empty promise to pay, and now the promisers were out of a job.

Just as they had so often pointed out, wailed the sobbing crew of misinformers, this first serious depression would see the loss of these billions of dollars, the smash of the whole credit structure, and the end of retail credit.

With the knowledge they had at that time, with the financial air filled with dire predictions of the insecurity of retail credit, with gloom on all sides, what species of horrible nightmare do you suppose the average store head would have visioned had he been able to foresee the depth of the chasm that yawned before him?

How much do you suppose he would have been willing to discount his outstanding accounts, had the opportunity presented? In the light of what stock prices have done since, do you think that 50 per cent would have been too high a discount? I don't!



"More than 1,350 Credit Bureaus, representing 150,000 to 200,000 retailers, professional men and financial institutions, are now in operation in the United States and Canada."

Picture a store head who had on his books at the time of the stock-market break \$100,000 or \$1,000,000 of outstanding accounts, and who owned another \$100,000 or \$1,000,000 of good blue-chip stocks. Had he sold both his accounts and his stocks at that time at a discount of 50 per cent, he would have been fortunate.

Now what happened? His credit accounts that were outstanding in 1929 were paid up in due course during the early months of 1930 with a loss of less than 1 per cent. Other accounts were put on the books, and they in turn were duly paid up, and in the two and a half years which have intervened, that money has turned over and over again; not less than 10 times in the case of open accounts and not less than 4½ or 5 times in the case of installment accounts, always in the form of new business. Meanwhile, the value of his blue-chip stocks has decreased 80 per cent.

You can't buy any going store's credit accounts at 20 cents on the dollar, nor 80 cents, nor even 95 cents. For back of those accounts stand two great forces which make retail charge accounts worth 99 cents on the dollar in good times or bad. One is the trained, competent, quiet retail credit manager, the man who in 1928 and 1929 was still appraising his credit risks on the basis of the "three C's"; the man who faced 1930 without fear because he had full confidence in the accounts on his books.

The other great force which energizes retail credit is the American credit customer, that much caricatured and little understood Average American. Who he is and what makes him what he is, you men and women credit executives know better than anyone.

As the membership of the National Association increased, credit schools were organized and thousands taught the fundamentals of credit and the advantages of cooperation. The textbook, *Retail Credit Fundamentals*, by Dr. Clyde W. Phelps of the University of Chattanooga, published by this Association in the fall of 1938, was adopted by 108 credit schools, with an enrollment of nearly 7,500. Indications are that many more schools will be organized this fall for the study of *Retail Credit Fundamentals*; other schools will adopt the textbook *Streamlined Letters* by Waldo J. Marra, Correspondence Director of the Bank of America, San Francisco, likewise published by this Association.

Pay Promptly Advertising

Pay Promptly advertising campaigns were developed and the consumer educated through the newspapers of the nation and over the radio. These campaigns, conducted by local associations and credit bureaus for many years, resulted in increased collections and a marked decrease in credit losses.

At the annual Credit Sales Forum of this Association held in San Antonio last June, Malcolm L. Merriam, Chief, Credit Analysis Unit, Marketing Research Division, Bureau of Foreign and Domestic Commerce, commented as follows:

It is, of course, of interest to know what costs of credit bureau reports average for various trades, but of greater significance is the question of the benefit which stores derive from that service. The obvious measurement is through comparisons of bad debt losses. For 772 stores which definitely stated that they did not use credit bureau report service, absolute losses averaged in dollars for combined open and installment accounts were almost 50 per cent greater than the average dollar amount of loss for 1,613 stores making use of credit bureau reports.

On charge accounts alone, all stores reporting in the survey averaged a loss in 1939 of 48 cents per \$100 of sales; stores using credit bureau service had an average loss of 41 cents; and stores not using credit bureau reports averaged a much higher loss of 71 cents per \$100 of charge account sales. On installment accounts, all stores reporting in the survey averaged a loss in 1939 of 60 cents per \$100 of installment sales; stores using credit bureau service had an average loss of 56 cents; and those not using credit bureau reports averaged a loss of 68 cents on each \$100 of installment sales last year.

As a result of the fine cooperation of the members of this Association, Congress, in 1928, appropriated \$25,000 with which to initiate the first Retail Credit Survey. This has been continued annually since, members of this Association cooperating with the Marketing Research Division, Bureau of Foreign and Domestic Commerce. The Retail Credit Survey has demonstrated its value to business and the bankers of the nation.

The cooperation and the loyal support of our members resulted in Wage Earner Amortization, Chapter XIII of the General Revision Bill having been approved June 22, 1938. It represents a new conception of bankruptcy jurisprudence and affords an opportunity to the wage earner to pay his debts from his wages or salary without being forced into bankruptcy by garnishments or attachments. Through the cooperation of the credit granter, the consumer and the court (based on results obtained at Birmingham, Alabama, over a period of seven years, during which period payments totaled \$790,323.02) it should salvage many millions of dollars annually for retail credit granters.

The wage earner formerly (under the old Act) was one who earned not more than \$1,500 per annum. Now he is one whose annual income does not exceed \$3,600.

Legislative and Educational Activities

Chapter XIII of the General Bankruptcy Revision Bill, devoted entirely to wage-earner amortization, was the result of years of untiring effort on the part of retail credit granters to enact into legislation an appropriate bankruptcy provision and is considered one of the outstanding legislative achievements of the National Retail Credit Association.

Our educational film, "Credit—The Life of Business," released within the last year, has been shown before thousands of high school and college students, women's clubs, civic groups, business organizations and the personnel of retail establishments. It fills a long-felt need in educating consumers to the value of good credit; and the importance of our slogan "Guard Your Credit as a Sacred Trust" is brought home to them in a friendly presentation.

Indicative of the cooperation existing between credit granters is the Code of Ethics of this Association, which provides:

1. To encourage the broadest use of consumer credit consistent with sound business principles and the welfare of the community.
2. To protect the interests of credit granters and customers alike by obtaining credit reports on all applicants for credit, by reporting to the credit bureau unsatisfactory credit experiences and by declining to sanction unsafe credit risks.
3. To educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
4. To counsel and protect customers against the tragedy of going into debt beyond their ability to pay; to safeguard their credit standing by requiring payments according to agreement.
5. To cooperate wholeheartedly with other credit granters in matters of credit policies and credit terms affecting the business welfare of the community and the public good.

This cooperation and the splendid work of managers of credit sales and credit bureau managers has resulted in the continued growth of profitable retail credit sales.

Streamlined

Advertising

The Spirit of Christmas



THE familiar jingling bells, the friendly, happy, bustling crowds, thronging stores and shops, seeking gifts for their loved ones, all remind us of the holiday just ahead. At this time of the year a charge account becomes especially helpful. Avail yourself of this convenience by paying your charge accounts **promptly** on or before the **tenth of the month** and installment accounts on the due dates.

A MERRY CHRISTMAS TO ALL



PUBLISHER NOTE CAREFULLY: This space is for Local Association signature to be set by you.

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12-S

MATS IN TWO SIZES

There are 17 ads in the new Streamlined series, which include 14 Pay Promptly and 3 Returned Goods ads. These come complete, in mats ready to hand to your newspaper in two popular sizes:

6 x 9 in. \$1.50 each
4 x 6 in. \$1.25 each

Advertisement No. 12 (in 4" x 6" size) is shown at left—actual size.

Size 8" x 12" (one-fourth of the ordinary newspaper page) may be obtained by giving several days' advance notice. Price \$2.00 each.

Write the National Office for
"A Portfolio of STREAMLINED Pay Promptly Advertising"

NATIONAL RETAIL CREDIT ASSOCIATION
1218 OLIVE STREET
ST. LOUIS, MISSOURI

NOVEMBER, 1940



The Credit Clinic

Conducted by

ARTHUR H. HERT, Research Director

... A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience ...

What Members Think About Granting Credit to Draftees

Atlanta, Ga.: I do not believe a real problem exists, or will exist in the future. The number of men affected in any community will represent a small percentage of the total customers of that community, and an unusually small percentage of the customers of any one store. One of the principal factors considered in the extension of credit is character. Most young men of character deeply regard their credit relationship, and they will not incur that which they realize they will be unable to liquidate. Finally, the absorption of conscripted men will leave more work for those left behind, and this, in turn, will improve credit relationship to a degree which should offset any possible losses caused by the conscription of men.

Baltimore, Md.: If each case is handled on its merit and the individual enjoys a good credit status, our policy need not be changed and our losses will still be negligible. It appears that only a small quota comparatively will be drafted from each community, and in some instances, the draftees will be better off in service than in their private vocations, as a number of these men will be officers. There has been some discussion as to long term credit being affected by this situation. I think this fear is exaggerated. Most of the men who will go into service during the next twelve months will be, single, and, in the majority of cases, are not seekers or do not have the need for this type of credit.

Baton Rouge, La.: We have some charge accounts with young men in the draft age, but as only about one out of every 16 will be called at one time, and only 50 per cent of those called will have a charge account, we do not believe that we will be seriously affected. Since these men will have to serve in the draft we believe that only those with A-1 credit ratings should be extended charge privileges. Household appliances sold on three year contracts are generally sold to men of families. Therefore, this should not be affected.

Berkeley, Calif.: We have nothing to fear from the national emergency conscription bill. There may be an occasional case that will come under the moratorium ruling but these cases will be so few we

would indeed be foolish to even attempt to curtail credit on that account. The quota from each locality will be small and only a small percentage of those affected will be credit customers of any one store. The sale of appliances with no down payment is a far greater risk under ordinary conditions than the possibility of loss from the few accounts we may have that might be affected under the national emergency. We contemplate no change whatever in our credit set-up or operation.

Chicago, Ill.: We have adopted no definite credit policy toward this class of risk and it is not our intention at the present time to do so other than to scrutinize carefully all applications from men within the age classification. Each risk is being considered on its own merits. On short term accounts it is reasonable to assume that a substantial part of the indebtedness will have been paid before the men actually leave for service, and as our maximum terms are confined generally to 12 months we do not anticipate any great loss from this type of business.

Chicago, Ill.: Credit men must consider the possibility of delay or the possibility of ultimate loss of credit extended to young men between the ages mentioned in the law. In all emergencies such as this one, we must try to anticipate what the ultimate result may be in each particular transaction where credit is sought over a period of months.

Dallas, Texas: The effect of the draft applied to our local retail credit situation during the first year should not be very extensive. Since there are to be only 900,000 men called during the first year, it may be ascertained by statistical computation that the number of accounts or customers affected will be limited. There will, of course, be some deferment of payment and a consequent tie-up of a limited amount of capital and even a small actual loss. It might be well for the person authorizing the credit to give private consideration to the possibility of the applicant becoming drafted, but the problem is not large enough to allow the public to become aware of any discrimination.

El Paso, Texas: We do not anticipate any serious results from the conscription bill. Most of those who have connections of such a nature that they are entitled to enjoy and use credit, most likely will prefer to pay their obligations and will do so. Those who have not yet reached the point of being able to obtain credit, except in very limited amounts, would not amount to much. This refers to those who will finally be accepted, which will likely be single men. A moratorium may be necessary with some of the National Guardsmen because they have families, but it will not be serious. After all, the time, unless extended, is only for one year.

Los Angeles, Calif.: The moratorium which is a part of the law will not, as we understand it, apply to open charge accounts, being applicable only to accounts payable on installment basis. As our charge business is all done on the basis of thirty day open charge accounts, it appears that we will not be greatly affected. However, as a matter of protection, in granting charge privileges now we endeavor to ascertain if the applicant will be subject to conscription, and make our decision accordingly, taking into consideration all the facts surrounding each case.

Milwaukee, Wis.: The percentage of those affected by the draft at present is small and, in my opinion, any losses which might result from the extension of credit to the few customers unable to pay due to military service would be negligible. To discriminate against those who may be subject to draft, might do more harm than good. I am sure the Government realizes the many problems which will be created because of the defense program. This is verified by articles in the newspapers from time to time. Plans are being worked out to guarantee jobs after the training period. Pay rates for men in the army have been increased. Married men and men in key positions will not be called. It is very evident that the Government realizes our problems and is working out some system to solve them, which should be encouraging to us. Developments along these lines will make our future course of procedure more or less clear.

New Orleans, La.: We have adopted a rule not to sell directly to any party subject to conscription, but suggest to the customer that he have his parents or some other responsible member of his family make the purchase in their name, explaining this is done in case he would not be in a position to pay his debts at a later date.

New Orleans, La.: During the hectic years of 1929-1934, when no one knew just where or how to turn for guidance, the credit managers and directors of credit sales, through the cooperation of the various retail credit bureaus, retail credit associations, and the National Retail Credit Association, maintained a percentage of not over 1 per cent loss on the accounts receivable of the country. Because of intelligent handling by the retail credit executives of the country, accounts receivable stood

up where all other investments depreciated tremendously. We must continue to do business on the theory that everyone is honest as long as it is convenient. Today a man's honor is synonymous with his credit record. Those who will be affected by the national emergency will not attempt to overbuy. I have no fear for the future in connection with the present emergency which calls to the colors of our country approximately 750,000 men from their regular lines of duty each year. Many of these men will have no outstanding obligations; thousands will not have previously been employed, and many thousands more will be given employment in the manufacture of equipment necessary to the maintenance of so large an army in training. I look forward to many years of prosperity, and I feel that the present conscription law will be of great moral, physical, and financial benefit to the young men and business in general in the United States.

Oklahoma City, Okla.: In the first draft there will undoubtedly be very few, if any, married men. Then, if credit executives require the signatures of both husband and wife on contracts, the obligation becomes that of the wife in case the husband enters the Army. Should the Government grant a moratorium on obligations of those entering the Government service, it must surely provide a way for those obligations to be paid. Although the debtor is forced into the service the creditor must be protected on legitimate obligations. Therefore, let us use our best sense in selling both open and contract accounts, and do not oversell. Do not load up on contracts, and employ a consistent collection follow-up with a liberal sensible credit policy, and do not get the "jitters" through panicky anticipation.

Omaha, Neb.: There is not a great deal to worry about at the present time as the number of men called for a year's service will be very small, and the loss would not amount to a great deal in our particular line of business. We should be willing to back our Government and cooperate with these men to some extent, but also protect the interests of our firms.

Pittsburgh, Pa.: The solution of the problem of accounts that are now owing by the soon to be selected conscripts will depend primarily upon the laws of Congress. Next will be the consideration of the ratios of the conscripted men between 21 and 35 to the retail credit using population. The latter will be less in cities of more than 500,000 than in those smaller cities and towns in which merchants have solicited accounts very liberally with young men. One way in which to prevent the retail merchants in this country from "holding the bag" is to have new accounts with younger men charged in the name, or on the accounts of their fathers, or mothers, and signed for properly. After the second conscription, another thing to consider will be the advisability of opening new accounts with any single or suddenly married man at conscription periods. It may be equitable for the law to protect those who now have

accounts and who will be conscripted, but it will be the duty of the merchants to protect themselves in case of later selections for service.

The increased business that will result from expenditures by the Government for defense purposes, and the additional business received by retail merchants from people of non-conscriptive ages will more than compensate for the moratorium on receivables held over. The proposed law for protecting debtor conscripts is unjust in that it will prohibit a debtor conscript from voluntarily returning any article on bailment lease, chattel mortgage, or contract. The present Congress is so lame in its consideration of the "quality of justice" that it "jumps to the conclusion" that all retail merchants would treat the "conscripts" ruthlessly, as Congress treats business. It does not consider, for example, that automobiles and radios, etc., etc., undergo yearly changes in design, quality and price, and that by forbidding the debtor conscripts to return them voluntarily when conscripted, Congress is forcing the debtor conscript to retain and (probably) pay for things that will be "out of date" when his one year (or more) is "up," and he has to pay for an outmoded article, or return it after his term of service. Our experience shows that the losses from draftee accounts during the World War of 1917-1919 were infinitesimal. Of course, a greater number of unmarried men have accounts today, both installment and 30 days, than in the days of World War One.—Jos. A. White, The Harris Stores, and Franklin Blackstone, Frank & Seder.

Pittsburgh, Pa.: The percentage of people in this classification in our immediate vicinity, or in any one vicinity, will be very small, and what small percentage there may be in an individual store, the people in question will have character in back of them and their training has always taught them to pay their obligations; therefore, some arrangements will be made with the family, if not with the individual. In the World War, we did not have anything to worry about because the wives or parents of those who were called came in or contacted us by mail, and in every case amicable arrangements were made. Third, we are not selling to single people unless they have very good background and past credit experience; and in all other cases, we ask for the account to be guaranteed.

San Francisco, Calif.: Now that the conscription act has become law, we are naturally more conservative in the extension of credit to those that fall within the age classification, particularly those that will fall in class one. This applies to installment accounts for home furnishings, radios and electrical appliances, as well as the regular open accounts. It is impossible to adopt a hard and fast rule in the treatment of credit applicants of draft classification, and in the case of department stores, the number in relation to total will be so small as to permit special consideration of the individual case.

St. Louis, Mo.: The fact that retail credit is so vital to the success of all classes of people makes it impractical and inadvisable to curtail same as long as it can be extended on a reasonably sound basis. Our present emergency will not create a serious problem, providing proper investigation is made, reasonable down payment secured, and terms arranged in accordance with the individual's financial status.

St. Louis, Mo.: Some of the credit executives are becoming unduly alarmed over the conscription bill. In the first place, there will not be a very large percentage of the age limit called from each section, and of that percentage, there will be quite a number who will not be accepted. There are also a number of officers in whose cases there will be an increase instead of a decrease in income. The balance might have accounts and a majority of these will liquidate. It appears that some of the credit men are anticipating "headaches" over a situation which, in all probability, will not prove serious. If we use due care, and accept those who have enjoyed a good record in the past, we will suffer only moderate (if any) losses from the consequences of the conscription act.

Wichita Falls, Texas: The men who are actually drafted in the army will be the least of our troubles, since a man has one chance in thirty of being called for training. During the World War a large percentage were called and only a few were accepted due to the rigid physical examination and exemptions for dependents. One-half of one per cent should be the maximum number actually selected for service; and in most instances parents paid their boys' accounts when they were drafted during the World War and surely they will pay their accounts in this national emergency, as their boys will be called to defend the United States, and not for oversea service. If payment is not made, our loss should not exceed one-half of one per cent, and as long as we collect \$99.50 out of every \$100.00 placed on our books, our loss is not excessive.

Victoria, B. C.: Following is the result of our findings:

1. It is our belief that those customers who have consistently maintained a satisfactory credit record will continue to do so.
2. Contract terms are due for reconsideration and granting of long terms should be discontinued.
3. Collections should be followed with more persistence and closer supervision!
4. Changes in a debtor's position should be recognized, and terms revised in keeping with the debtor's ability to pay.
5. New credit applications should be carefully checked with special attention to occupation and likelihood of continuance.
6. There is likely to be an increase in prices. Customers may have to use more of their income for necessities. This should be kept in mind when setting credit limits.

New 1941 Credit Manual

The new 1941 Credit Manual of Commercial Laws, published by the National Association of Credit Men, will be off the press early in November. Some of the entirely new features of this book are:

1. Quick and ready guidance in handling state and city sales tax problems affecting interstate commerce.
2. New facts in handling war orders and all other Federal Government transactions.
3. An interpretation of the excess profits bill and its bearing on 1941 earnings.
4. Clarification of recent Federal rules and regulations affecting trade.
5. A complete rearrangement of the summary of state laws on an entirely new subject basis.

The regular price of this valuable book is \$6.50. The special price to members of the National Retail Credit Association is \$4.85 per copy, if ordered prior to November 1.

Order a copy from your National Office today.

Reprints Available

The Recordak Corporation, 350 Madison Avenue, New York City, has made reprints of an article which appeared in the September CREDIT WORLD, entitled "Streamline Billing" by S. E. Edgerton, Credit Manager, Broadway Department Stores, Inc., Los Angeles, Calif. They have given us a supply of these reprints for distribution among our members, free of charge. If you want a copy, write the National Office, 1218 Olive Street, St. Louis, Missouri.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933.

Of CREDIT WORLD, published monthly at St. Louis, Mo., for October 1, 1940.

State of Missouri }
City of St. Louis } ss.

Before me, a Notary in and for the State and county aforesaid, personally appeared Lindley S. Crowder, who, having been duly sworn according to law, deposes and says that he is the Editor of The CREDIT WORLD, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business manager are:

Publisher, National Retail Credit Association.....St. Louis, Mo.
Editor, Lindley S. Crowder.....St. Louis, Mo.
Managing Editor, Arthur H. Hert.....St. Louis, Mo.
Business Manager, A. L. Creighton.....St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 1218 Olive Street, St. Louis, Mo.; Erwin Kant, President, c/o Ed. Schuster & Co., Milwaukee, Wis.; First Vice-President, D. D. Bolen, c/o Younker Brothers, Des Moines, Ia.; Second Vice-President, H. J. Burris, c/o John Taylor Dry Goods Co.; L. S. Crowder, General Manager-Treasurer, 1218 Olive Street, St. Louis, Mo.; Arthur H. Hert, Secretary, 1218 Olive Street, St. Louis, Mo. No stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

L. S. CROWDER, Editor.

Sworn to and subscribed before me this 18th day of September, 1940.

Mary E. Riordan.

(My commission expires May 5, 1941.)

NOVEMBER, 1940

BAROMETER of Retail BUSINESS

Sales and Collection Trends

September, 1940, vs. September, 1939

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT sales increased 2.6 per cent during September; total sales 4.3 per cent; while collections decreased .1 per cent, in the United States and Canada, as compared with September, 1939. *The increases in credit and total sales were attributed to an improvement in employment as a result of preparations for the defense program.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for September

- 60 Cities reporting.
- 22,003 Retail stores represented.

COLLECTIONS

- 27 Cities reported increases.
- .1% Was the average "decrease" for all cities.
- 15.0% Was the greatest increase (Jacksonville, Fla.).
- 4 Cities reported no change.
- 29 Cities reported decreases.
- 10.0% Was the greatest decrease (Borger, Texas).

CREDIT SALES

- 51 Cities reported increases.
- 2.6% Was the average increase for all cities.
- 18.0% Was the greatest increase (Charleston, W. Va.).
- 9 Cities reported decreases.
- 20.0% Was the greatest decrease (Borger, Texas).

TOTAL SALES

- 52 Cities reported increases.
- 4.3% Was the average increase for all cities.
- 19.0% Was the greatest increase (Charleston, W. Va.).
- 8 Cities reported decreases.
- 22.0% Was the greatest decrease (Frankfort, Ky.).

The Coupon Book



BUILDING SALES AND CONTROLLING CREDIT

By **J. E. SULLIVAN**

Credit Manager, Kahn's, Oakland, California

*An Address delivered before the Department Store Group Conference at
the San Antonio Convention
June 19, 1940*

WHY SHOULD you have a credit coupon book plan? Is competition forcing you to adopt one? What is the position which your store enjoys in your community? What class of charge customers do you reach and serve now? Which type and class of charge customers do you wish to reach out and serve now, with the adoption of a credit coupon book plan?

We entered this particular field because we had a low monthly account collection turnover (our collection turnover five years ago was about 33 per cent), a condition which was mostly our own fault. We lulled our customers into a sense of security that they could pay us if and when they got ready. We realized that a complete reversal of that policy overnight would be fatal to many of our charge patrons.

In an analysis of the requirements of our charge patrons, there was a large percentage who we felt would be ideal credit coupon book customers. Our next consideration was a plan most suitable for the class of store we operate in the community; and how we could best serve these slow pay charge customers and still retain their business and good will.



In adopting a credit coupon book plan, have a merchandising plan! Don't be stampeded into something that is unsound, simply to meet competition. If you have a plan and merchandise it and promote it, you can sell it.

Our coupon books are sold in denominations of

\$20.00, \$25.00, \$35.00 and \$50.00. Our terms are twenty per cent down, maximum time six months, with a minimum monthly payment of \$5.00.

Advantages and Limitations of Coupon Book Plan

We purposely limited the minimum amount of our coupon book to \$20.00 so as not to reach the substandard class of charge buyer. We limited our monthly payment to a minimum of \$5.00 for sales purposes. With a minimum monthly payment of \$5.00, the customer may buy a \$25.00 coupon book or a \$35.00 coupon book with the same monthly payments. If your credit adviser or credit interviewer does a good job, you would be surprised how many \$35.00 books can be delivered to \$20.00 or \$25.00 applicants, providing, of course, they are entitled to the additional credit. Our average coupon book sale is \$35.00. Our monthly carrying charge is one-half of one per cent. As a matter of fact, for the past twelve months our new business has been 20 per cent, and our repeat business 80 per cent.

Coupon book sales are made on the floor by the salespeople. The minimum coupon in the book is 25 cents. The customer is asked to pay in cash for sales of odd amounts. You might expect that to cause sales resistance; however, actual experience teaches us that it does not, as customers are most happy to comply by paying the cash difference. It is optional with the customers; if they do not wish to pay the small cash difference, the salesperson may subtract the next value coupon of 25 cents and give a cash return up to 24 cents.

Incorporated in our coupon book are monthly payment coupons. We have the shopping coupons and a small

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R L D

NOVEMBER, 1940

27

Amount \$ 5.00
Date Due 7-7-40

Your Credit Coupon payment is now due. No advance notices are mailed; please co-operate by paying promptly each month on or before the due date.

Amount \$ 5.00
Date Due 7-7-40

The above amount is now past due and your next Payment will be due 8-7-40
Please bring your account up to date as agreed.

DUE DATE 8-7-40
AMOUNT \$ 10.00

Thank you for your recent payment. This still leaves your Credit Coupon account past due according to your contract terms.
As you know, payments are expected regularly on or before the same date each month.
May we hear from you within the next five days.

DUE DATE 9-7-40
AMOUNT \$ 10.00

SECOND NOTICE

Your Credit Coupon payment is past due. May we have your check by return mail.
Thank you.

Kahn's
STANDARD
BROADWAY • SAN PABLO • SIXTEENTH
OAKLAND, CALIF.

If payment has been made, please disregard this notice.

We are not the largest store in the community. In introducing this plan, we wanted to be very sure that we did not lower the dignity nor the standards of our institution. We feel the advertising department has done a nice job in maintaining those standards and the dignity of the store.

A full page all-tone photographic arrangement is used for Easter promotion, tying into it closely credit coupon book promotion, outlining the terms and its features. We run many full page advertisements, leading off at the top of the page with a picture of the credit coupon book and giving the terms and advantages.

We carry out the newspaper advertising feature with the windows and the interior store display. Cards were used throughout the Christmas season, inside each entrance to the store, at the elevators, stairways, escalators, each department where credit coupon books would be an advantage, and, of course, in the credit department.

Promoting the Plan

Our Easter promotion was built around a card of this character, and told the same story. We change signs of this type about every 60 or 90 days, so we bring to the customer a different appearance, a different color tone and a different promotion.

Advertising of this character is bound to bring customers into a store. When you are merchandising your plan, be sure your employees know the answers because customers *will* ask questions.

After you have sold the plan to salespeople, be sure it is operating smoothly within the department. If you cannot make it easy for the customer to shop on this plan, the customer is not going to be receptive to it.

I received some startling information from the results of two shopping surveys which we conducted last year. One of the greatest avenues of dissatisfaction is our extra people, who do not have the opportunity from the Personnel and Training Division to learn the complete details of shopping the plan successfully. I sincerely recommend that you shop your salespeople and know that they know the story and know the language, and know how the customer can comfortably shop on a credit coupon book plan.

For example, here is an incident: The customer makes a purchase of \$1.10 presenting a credit coupon book, the salesperson takes out a coupon for \$1.00 and says, "Have you got a dime?" She is in the presence of a friend or relative or someone else shopping with her and the question put that way forces the customer to admit, "Yes, I have a dime," or "No, I haven't a dime." It is embarrassing and uncomfortable. The salesperson should say: "Do you choose to pay the cash difference of 10 cents?" Then it is optional with her whether she says merely, "I will" or "I will not pay it."

Trained Salespeople Necessary

Another incident of a large purchase in the ladies' ready-to-wear department of a salesperson receiving the book, attempting to count fourteen or fifteen dollars of coupons and saying, "Ethel, please come over and count these. I always get them wrong." This is money; this is the customer's money; and if someone is counting your money and always gets it wrong, there is certainly a disturbance of confidence. The customer may return to the credit office, as she did in this case, and say: "I am sorry, I don't want it." So, you can do a good job by shopping your salespeople and knowing they know the story and know the proper English to make the customer comfortable.

We adopted the printed form of credit coupon book for the reason of cost. There are two types: a lithographed book, which has a superior appearance, but is also much more expensive, and a printed book. On the Pacific Coast, in lots of 5,000 the lithographed book costs about 25 cents each. The printed book, which we are using, with safety paper, in lots of 5,000, costs about eight cents. We find that it is doing the job that we designed it to do as customer acceptance is satisfactory. We are not concerned about the fraud hazard, we feel that we have adequate protection with the safety paper. I think the saving in cost is well worthwhile.

Billing Procedure

In billing, we use a ledger sheet with our conditional sales contract on the reverse side. This is completed by the Inter-Bureau or credit adviser in the credit office, then goes to the department to be typed and headed up; terms are transmitted to the upper right hand corner, and then to the billing office. We have a supplemental contract sheet on the bottom. On the ledger sheet of this size and type, we can make about three credit coupon book sales, if we do not have too much collection difficulty. If the account pays out satisfactorily, the ledger sheet is pulled and set up again and a new credit coupon book is billed on the same sheet until we complete the face of it. (See form, page 27.)

On our collection coupon, we use form notices exclusively while the account remains in our ledger. We pick it up five days after maturity and follow it on a seven-day basis from then on. We supplement this form notice series intensively by telephone follow-up. Our telephone experience on budget accounts was excellent.

Eighty per cent of our business is repeat business and this certainly deserves our attention. Just prior to the completion, or the fourth or fifth payment of the credit coupon books, a "thank you" letter goes to the customers, expressing our appreciation for the business, the prompt manner in which the account has been paid, and inviting them to come in and add additional credit coupon books to the account at that time. For those customers who do not take advantage of that invitation, we solicit them

In the December Issue

"Retail Credit and the Consumer Movement," by John B. Grant, Consumer Credit Institute of America, New York City

"Internal Handling of Consumer Loans," by Forrest M. Smith, State National Bank, El Paso

"Memphis Association Hits New Credit Publicity High," by Mrs. Mattie B. Wilroy, Memphis Commercial Appeal, Memphis

"Evaluating the Credit Risk," by C. J. Martin, National Consumer Credit Reporting Corp., New York City

"The Retailer and The National Defense Program" (Part 3), by Dr. David R. Craig, American Retail Federation, Washington

again at three heavy selling seasons of the year, Easter, before school opening, and again at Christmas.

Success Dependent on Credit Policy

Most of the statements I have made regarding the operation of the plan are of a positive nature. There are many negative factors. I do not believe that all stores have introduced it successfully. Your experience will be just about what you make it. If you design a plan of this character, you certainly must design a credit policy to accompany it, and your experience will be about how much courage you demonstrate in living up to that credit policy, and in not being stampeded because competition in your community is exceeding or reducing your credit policy in the matter of terms or desirability of credit risks.

Here are a few statistics from a survey of fourteen stores on the Pacific Coast, operating a credit coupon book system, doing a business of between five and fifteen million dollars:

The percentage of soft merchandise budget sales to the total charge sales, four stores replying, averaged 10 per cent. The percentage of soft merchandise budget sales to total budget sales, only three stores replying, averaged 50 per cent. The average amount of credit coupon book sales, four stores replying, was \$32.00. The percentage of budget sales to total charge sales, averaged 15 to 17 per cent.

The percentage of gross profit and loss to total budget sales, five stores reporting, was 1.8 per cent, and recoveries, approximately one quarter of one per cent.

Experiences With the Plan

So, I would say, conservatively, that from our experience on the Coast one had better be prepared to take a net write-off of about one per cent, until they refine their mechanics and refine their control; raise the standard of their credit policies; improve their collection policy; and improve their collection mechanics. Our broad experience is about one per cent write-off; our own experience is just half of that. We have operated on a five-year plan with a net write-off of .45 per cent.

The stores that are having this large net write-off are not doing a particularly good job on their write-off on monthly charge accounts. The stores which are doing the best job on their write-off of monthly charge accounts are also doing a good job on their credit coupon book write-off.

You may ask if our experience on net write-off of .45 per cent is due to a conservative credit policy. I do not think so as our past experience on declined monthly charge accounts on the Coast has been approximately 12.0 per cent. The Coast experience for declines on credit coupon book applications is 4.58 per cent while our own experience is 2.5 per cent. I merely cite our experience to illustrate the possibilities of what you can do if you make up your mind to really merchandise the plan.

Reading this magazine carefully and regularly will contribute to your success as a Credit Executive

"Extending Credit"

(Continued from page 4)

out that these men who are called out to fight for us may not be our big problem at all. One of our local business men said the other day that they weren't worried about draftees, they were far more concerned about people in the \$4,000 to \$6,000 a year income group due to the excessive tax burden that they were going to have to bear. That sounds perfectly plausible.

Summary

In summing up and forming a conclusion, we submit for your consideration first, that in the instalment field the problem is not one of first magnitude. The chief concern now lies with contracts already drawn and there is little that can be done about them other than to rely upon the integrity of their customers. This is anything but a forlorn hope. And finally we believe that in the open credit field the draft situation presents no major problem at all.

We believe that any alteration in credit or collection policy aimed at the men who are called to the colors or who are eligible to call, would be a grave error—an error first from the standpoint of the actual emergency involved; secondly from the standpoint of public opinion; third from the standpoint of good business; and finally from the standpoint of our own national integrity.

TIME TESTED

Merchandise Coupon Books have proven a profitable means of attracting new business and controlling credits.

Write us for the Full Story

Southern Coupon Co.

P. O. Box 1472 -- BIRMINGHAM, ALA.

Over 31 years "The House of Service"

Dixie Council of Credit Women Activities

On the week-end of September 20, the Credit Women's Breakfast Club of Savannah entertained the Macon, Atlanta, Waycross, and Jacksonville Clubs. On Saturday evening the Atlanta Club presented a play "The Women" at the banquet, which was followed by a dance. A breakfast was held on Sunday morning with the Savannah President, Winifred Whipkey, presiding. Mrs. Pauline Shepard of Jacksonville was the main speaker. After the program the meeting was turned over to Kathryn Lofton, the Dixie Council President, who had charge of the organization of the Georgia State Association of Credit Women. The following officers were elected: President, Winifred Whipkey, Savannah; Vice-president, Bettye Lewis, Atlanta; Treasurer, Christine Thames, Macon; and Secretary, Ella Ruth Foy, Waycross. The Georgia State Association of Credit Women will meet annually with the Georgia bureau managers.

The Chattanooga Club entertained the Knoxville, Atlanta, and Nashville Clubs at a breakfast on Sunday, October 20.

The Florida Association of Credit Women's Clubs held their annual meeting at Silver Springs, October 27.

Schenectady Sponsors New Course

Approximately 50 students have enrolled in a new educational course "The Legal Aspects of Credit and Collections," now being given in Schenectady, New York, under the sponsorship of the Educational Committee of the Associated Retail Credit Men. Numbering among the faculty are the city judge, the sheriff, and five prominent local attorneys. The course is designed to give practical information on the law as it affects retail credit business.

The lectures include: "Work of the Sheriff's Office," as it pertains to collections, "Real Property," "Contracts," "Negotiable Instruments," "Wills and Estates," "Business Organization," and "Bankruptcies." At the conclusion of the course, an examination will be given and those who pass will be awarded certificates.

This is the third successive year that the Schenectady Association has conducted credit classes. Two courses have been given on the Fundamentals of Retail Credit, based on the book by Dr. Clyde W. Phelps, sponsored by the National Association. This year it was felt that business law should be considered.

Frank T. Caldwell in Hospital

Frank T. Caldwell, Secretary-Manager, Associated Credit Bureaus of America, Inc., underwent an emergency appendectomy, Tuesday evening, October 8, at St. Mary's Hospital, St. Louis. At this writing he is making a speedy recovery and by the time this issue reaches you Mr. Caldwell will probably be back at his desk again.

Coming District Meetings

Districts Three and Four (Florida, Georgia, North Carolina, South Carolina, Alabama, Louisiana, Mississippi, and Tennessee) will meet April 14, 15, and 16, 1941, in Savannah, Georgia.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will meet February 16, 17, and 18, 1941, at the Mayo Hotel, Tulsa, Oklahoma.

District Eleven (Arizona, California, Hawaii, and Nevada) will meet in Sacramento, California, April 21, and 22, 1941.

1941 Convention Chairmen

Chairmen of the various committees of the New York Association to take care of activities and arrangements for our 1941 Convention to be held in New York City, June 16-19, are:

General Chairman—Mr. Arthur J. Kramer, Borden's Farm Products.

General Co-Chairman—Mr. Bernard A. Farrell, Frederick Loeser & Co., President, Credit Bureau of Greater New York.

Co-Chairman of Group Conferences—Mr. L. H. Jacobs, Ovington's.

Treasurer and Chairman, Auditing and Finance Committee—Mr. M. B. Doremus, Rogers Peet Co.

Reception—Mr. W. A. Armstrong, C. G. Gunther's Sons.

Hotel Reservations—Mr. L. O. Doty, Hotel New Yorker.

Newspaper Publicity—Mr. Wm. Windhorst, Fred F. French Management Corp.

Transportation—Mr. D. W. Sylvester, Travelers Insurance Co.

Program and Speakers—Mr. Walter Strickland, Best & Co.

General Entertainment—Mr. Charles J. Hunt, Hotel Savoy Plaza.

Ladies' Entertainment—Miss Jane Farrell, J. & J. Slater.

Publicity—Mr. R. M. Severa, R. H. Macy & Co.

Local Registration—Mr. Thos. F. Frawley, Jr., Oppenheim-Collins & Co.

Credit Women's Breakfast Club—Mrs. E. M. Stewart, I. Miller & Sons.

Theater Tickets and Radio Broadcasts—Mr. J. H. Titus, Postal Telegraph.

Registration and Information—Mr. A. J. Worsdell, Adjustment Bureau, Credit Bureau of Greater New York.

The Hotel New Yorker is the Convention headquarters and over 100 reservations have been made to date. So, get your reservation in early!

"Moratorium"

(Continued from page 2)

would it be possible to collect from her in the event her husband enters the military service?

The answer depends in part on state laws governing joint liability of husband and wife, but notwithstanding what such provisions may be, Art. I, Sec. 103, specifically permits a court in its discretion to not only postpone prosecution of suits or proceedings, or enforcement of court orders against those in military service, but also to take like action as to sureties, guarantors, and others subject to the obligation or liability, the performance or enforcement of which is stayed, postponed or suspended.

QUESTION 7. *If a husband and wife sign a note for a bank loan, secured only by their signatures, and the wife is employed, could the bank proceed against her in the event the husband entered military service?*

The answer may turn on the uses to which the proceeds of the loan are to be applied; that is, if the loan is primarily for the husband's benefit, it would be possible to consider the wife as a guarantor of the loan of the husband and in this way bring the loan within the provisions of Sections 103 of Art. I and 204 of Art. II. Section 606 relates to taking an unfair advantage under the Act, and gives the court power to right wrongs of that nature. This section might have some relation in some instances to this question.

The foregoing represents in a general way some of the questions that have suggested themselves to your Washington Representative, but should others arise we will be glad to answer any further questions transmitted through the National Office in St. Louis.

Congress has enacted this law for the benefit of the soldiers and the courts will therefore liberally interpret it. It is well to bear this fact in mind, and also that if there are many complaints of unfair treatment of men in the service, Congress may be inclined to revise or broaden the law.

Louisville Credit Managers Elect

Newly elected officers and directors of the Retail Credit Managers' Association, for the ensuing year are: President, Harold J. Crouch, Stearns Coal Co.; Vice-President, J. A. Barnes, Louis Appel Co.; and Secretary-Treasurer, Carson L. Bard, The Credit Rating Co.

Directors: Frances Witten; E. H. Heller; George Kraft; J. B. Schmidt; William Sosnove; and Roy H. Weinedel.

Credit World Binders

Binders for twelve issues of "The Credit World" are now available. They are pamphlet type with stiff fabricoid covered sides. There is an individual wire for each issue, easily inserted. Price \$1.35, postpaid. Order from your National Office.

Minneapolis Election

At a recent meeting of The Retail Credit Association of Minneapolis, the following officers and directors were elected for the ensuing year: President, Harold R. Gabrielson, Marquette National Bank; Vice-President, W. D. Clinton, Hawthorn Fuel Co.; Secretary, A. C. Stevensen, Minneapolis Credit Exchange; and Treasurer, Ethel K. Bellock, Hennepin Hardware Co.

Directors: Milton J. Solon; M. A. Askerman; Mabel H. Miller; C. R. Campbell; C. E. Youngquist; Henry W. Hoklas; Rustan O. Thayer; N. M. Thompson; Gordon J. MacGregor; and Warren Wells Fisk.

Wanted to Buy

Used or secondhand National Cash Registers, class 900 with multiple drawers, and departmental totals. Address replies to P. O. Box No. 510, Fort Smith, Arkansas.

**Picture of a
CREDIT
MANAGER
who
called the turn!**



You can't blame a credit manager for feeling a bit chesty when he cures a lot of headaches and saves money for his store.

And lots of credit managers get this feeling when they install the Rand McNally Budget Coupon Book system. For bookkeeping costs drop 'way down, credit control is infinitely better—and stores actually increase sales!

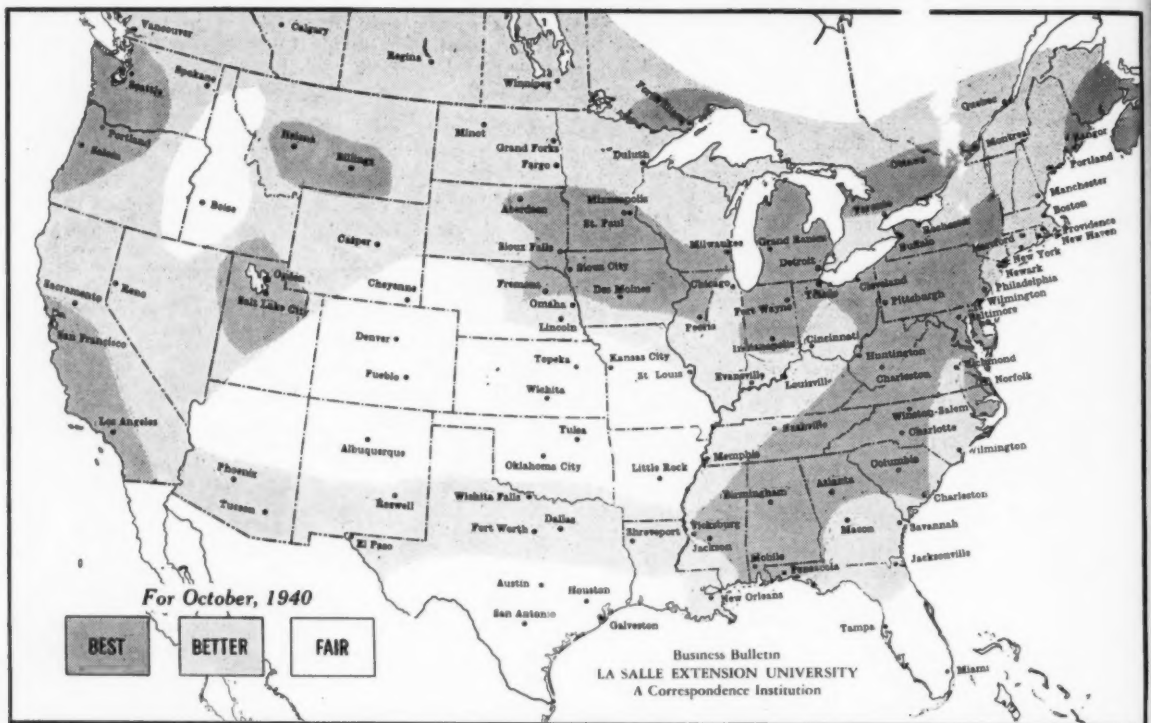
It has happened in hundreds of retail stores that have adopted Rand McNally Budget Coupon Books. You should investigate this simple, friendly way of selling credit!



Customers buy Rand McNally Budget Coupon Books, and pay for them in installments designed to fit their incomes. Meanwhile, they use the coupons to buy your merchandise. They get credit; you control that credit. Address Rand McNally & Company, Dept. C-11, 536 S. Clark Street, Chicago; 111 Eighth Avenue, New York; or 559 Mission Street, San Francisco.

**RAND McNALLY
BUDGET COUPON BOOKS**

Current Business Conditions



The Map

The upward trend in the rate of trade and industrial production indicates that activity during the fall months will probably surpass the high rate last fall. The total volume of business, as measured by commercial and financial transactions, has continued in almost every recent week to show slight increases over the corresponding period a year ago.

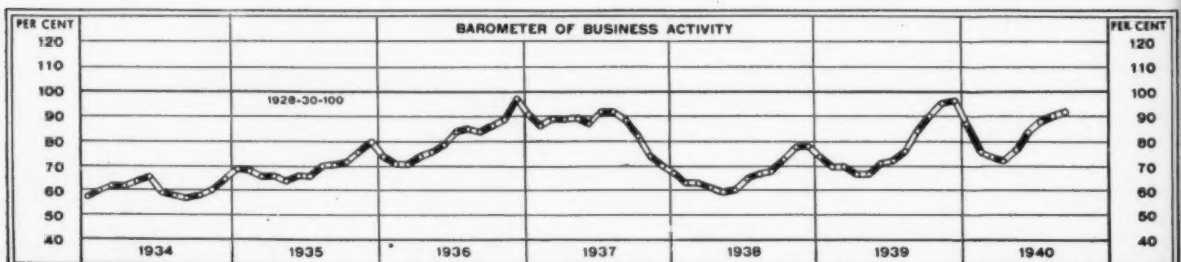
Conditions have improved generally in all sections of the country, but the greatest gains are reported in the industrial regions of the East and around the Great Lakes. In those sections the heavy industries, such as steel and machinery, are operating at high levels, and in many instances close to capacity. The larger payrolls are reflected in retail store sales and, to a considerable extent, in increased residential building.

Shipbuilding and larger foreign trade have stimulated business volume among several of the cities along the Atlantic Coast. In the New England states, industry and trade are stable and the gains have been somewhat more moderate than in other parts of the East.

Throughout most of the South, the rate of activity has increased somewhat more than the average increase for the entire country. Both industrial and agricultural regions report substantial gains during recent weeks.

Although the improvement in the Central states has been somewhat less than in the East, several bright spots appear on the Map this month. Those in the Northern part are most significant in reflecting increased farm income. The Pacific Coast states report substantial gains over the early months of this year, and also over a year ago. The greatest improvement has been in the Pacific Northwest, but in recent weeks the trend in California has become increasingly favorable.

Throughout Canada, industrial activity continues to be maintained at a high level. The rate of expansion in recent weeks has been slightly less than in the United States, but the gains in several sections have been striking. War demands for industrial products, large crops, and large exports combine to sustain the high rate of business activity.



This barometer appears in the November issue of "Nation's Business," published by the United States Chamber of Commerce.

The Barometer

Stimulated by the combined influence of the defense program and foreign war developments, the Barometer for September continued its upward course for the fifth successive month.



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